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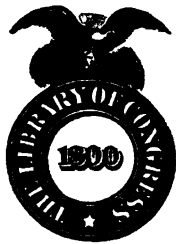
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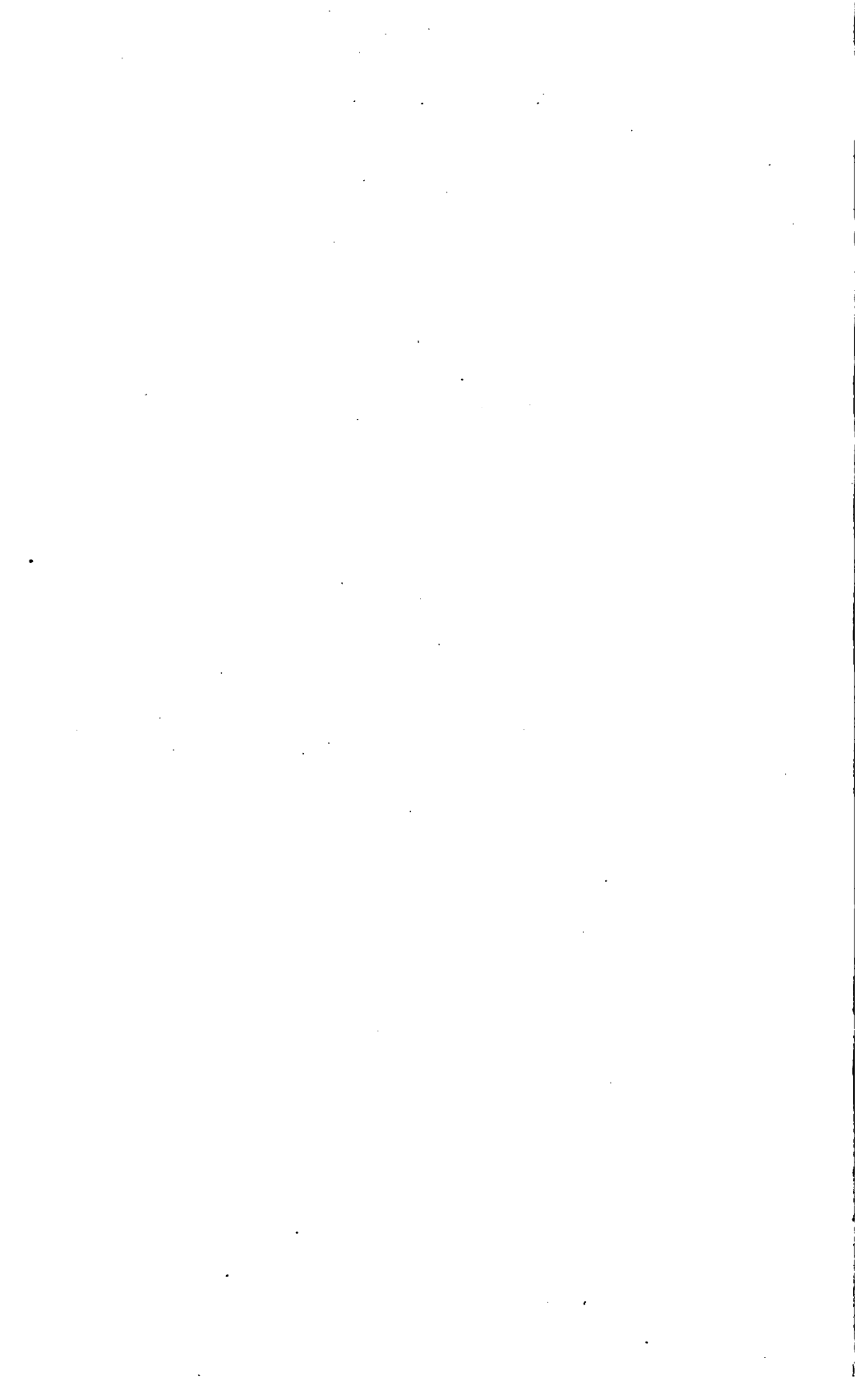
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**HEARING**

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**BEFORE THE**

**COMMITTEE ON THE TERRITORIES**

**OF THE**

**U. S. HOUSE OF REPRESENTATIVES**

**ON**

**REVENUES IN THE TERRITORY  
OF HAWAII.**

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**FEBRUARY 6-9, 1906.**

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## REVENUES IN THE TERRITORY OF HAWAII.

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COMMITTEE ON THE TERRITORIES,  
*February 6, 1906.*

### STATEMENT OF MR. W. O. SMITH.

Mr. POWERS, chairman pro tempore. There is something concerning Hawaii for the committee now to consider.

Mr. KALANIANA'OLE. We have a delegation here to appear before the committee on House bill No. 14015. We do not want to come here in the midst of matters relating to Alaska, but if you are ready to hear us we will be glad to proceed. I shall not waste any time by making a statement. There is a delegation here from the Hawaiian Islands, and I suppose the committee would like to hear from all of them, and I would like to have these gentlemen given all the time they need. I will call on the chairman of the delegation, Mr. W. O. Smith, to introduce the members of the delegation.

Mr. POWERS. I understand that there is quite a delegation here of the leading men of Hawaii in reference to this bill.

Mr. KALANIANA'OLE. Yes, sir.

Mr. SMITH. I reside in Honolulu, where I was born. I am a lawyer by profession. I will state, Mr. Chairman and gentlemen of the committee, that the object of our being here is with reference to this bill, which follows the suggestion of the President in his message, that 75 per centum of the customs receipts and other Federal revenues collected in Hawaii should be set aside as a special fund to be used for public improvements, public buildings, and naval and military defenses. Before speaking further on the subject, I would like to call the attention of the committee very briefly to the location of these islands, as there are a number of the members who have not previously had Hawaiian matters before them. This is the Hawaiian map [indicating map on side wall] showing the Hawaiian group of islands. These islands are situated 2,100 miles nearly southwest from San Francisco. There is a group of four main islands and three smaller ones. It is a too common error in thinking that there is simply one island of Hawaii. It is a group of islands. The largest is down here [indicating] to the southeast, the island of Hawaii, which is 4,000 square miles in area. Then there is here in the Kaieie Channel the island of Oahu, and to the westward the island of Kanai. Honolulu is on the island of Oahu. Honolulu is not on the island of Hawaii. It is the capital city, has the best harbor, and is the center of trade. Next to Honolulu in importance is the town and bay of Hilo, island of Hawaii. It is on this largest island that the volcano is located.

I wanted to call attention to this map so as to show the location of the islands, as it has a bearing on these matters. If we were simply one island and had only one government, the conditions would be more simple. There is a territorial form of government for the whole group of islands and a local form of government for each separate island. This separation necessitates many more officials and buildings and more machinery of government than would otherwise be required.

I will speak, also, briefly in regard to the physical features of these islands. The islands are all mountainous in the interior, and on the island of Hawaii there are two mountains that are 13,000 and 14,000 feet high, where there is perpetual snow on their summits, although we are bordering on the Tropics. Each one of the islands is very mountainous in the center, and it is around the rim, or the edge, of these mountains—the fringe, so to speak, as the land slopes down toward the sea—that the fertile land is situated. These lands are the only ones desirable for residences. This involves a larger expense in the matter of roads and care for public affairs from that very fact—that it makes a very much larger extent of country to travel over to care for them.

Mr. WEBB. How far is it from Hawaii Island to Honolulu?

Mr. SMITH. About 200 miles. It is about 300 miles from the island of Kauai in the northwest to the extreme end of Hawaii in the southeast. They are situated in latitude  $18^{\circ}$  to  $21^{\circ}$  north of the equator.

Before annexation Hawaii was an independent sovereign government. The Americans were the first ones to go to the islands. The American missionaries went there first in 1820, and then followed the American merchants and others. A government was organized, and it was gradually extended. It was a matter of evolution and development, it being built up almost for fifty years along American lines. The judicial system follows more closely the common-law system of the State of Massachusetts, because the first chief justice of the islands, when the courts were organized, was a Massachusetts lawyer, and some of the Massachusetts laws were incorporated in ours.

The Hawaiian government was first carried on under Hawaiian chiefs or sovereigns, and finally a Republic succeeded the old form of government in 1893, and from that time until the annexation the republican form of government continued. In 1900 it was organized as a Territory of the United States, and has been carried on since as a regular organized Territory, with a governor appointed by the President of the United States, and the machinery of the government proceeding as before. The whole machinery of government and the conditions there were so essentially American and built on American lines that when Congress came to consider—and this committee in 1900 spent several months considering the organic act—they found the statutes, laws, and system of government so satisfactory that almost the whole body of Hawaiian laws and statutes were reenacted with certain essential and necessary changes to adapt the laws to the new conditions.

Before annexation the little government carried on its affairs. They had public institutions and a system of government which was very creditable. The judicial system, the educational system, and the whole machinery of custom-houses, and all the details of government were carried on; and from time to time very important improvements were made, including expenditures on harbors and wharves, very large

expenditures in opening new roads and in improving and developing a new and better class of government buildings. We were able to do this in the main by practicing economy. Some things were wisely done and some unwisely. We lived almost within our means, and we were able to make these public improvements. We did incur some debt, however, and at the time of annexation there was a little over \$5,000,000 of debt, but that had been accumulating over a number of years, and was represented by substantial and valuable public improvements.

At the time of annexation about one-third of the revenues of the Hawaiian Government was from the customs. All American goods came in free of duty, and other foreign goods paid a duty, and about two-thirds of the revenues was from internal taxation, license fees, and other sources. After annexation, of course, the customs receipts went to the Federal Treasury. We have had about five years of this, and the amount of money received from customs and the amount received from internal taxation still bear about the same proportion, namely one-third and two-thirds, respectively. We have had to keep on maintaining the same government and meet conditions which required larger expenditures than before. At the time the organic act was under consideration, some of the members of the committee who were here then will perhaps remember, attention was called to the fact that we would probably have some financial difficulty because of that loss of revenue, but we have tried it, and have been trying it for five years, and the result has been that—

MR. MOON. What is the loss on account of the customs duties which are being paid to the Federal Treasury?

MR. SMITH. Three-fourths—75 per centum.

MR. MOON. That is what you want. What has been the difference?

MR. SMITH. One-third and two-thirds.

MR. MOON. Does the one-third go to the Federal Treasury?

MR. SMITH. Yes.

MR. POWERS. Do you mean that two-thirds goes to the Treasury?

MR. SMITH. No; all the customs receipts go to the Treasury. I mean that about two-thirds of the total revenues go to the Territory. The territorial government has been operating for five years, and public improvements have been attempted, but there has been great difficulty because of the insufficiency of the income. We had to reduce salaries two or three years ago in the legislature in order to try to be as economical as we reasonably could. But we are now confronted with the fact that in order to carry on the really necessary public improvements, and to provide sufficient and adequate schoolhouses, wharves, public buildings, and things of that sort, we have already had to borrow again a little over \$2,000,000, which has all gone into public improvements, and not for the current expenses of the Government; and in looking to the future the prospect is not encouraging. Taxation has been increased, and we are feeling the burden of it more and more. In addition to the property tax and personal tax, we have an income tax of 2 per cent on all incomes over \$1,000; and altogether we find that the burden is rather more than we can carry. We have anticipated this, and we have not complained about it; but after five years of experiment we think that something should be done to relieve the situation.

I do not wish to occupy too much time, because some of the other gentlemen are prepared to speak in detail, but I wish to say this, before they do address you, that we came here at the request of the commercial bodies of Honolulu and Hilo and the Hawaiian Chamber of Commerce.

Mr. MOON. Is the exact purpose of the bill to enable Hawaii to have the full benefit of all of its revenues and to have Congress direct the application of three-fourths of that revenue to the purposes mentioned in the bill?

Mr. McINERNEY. The purpose is this; to have three-fourths of the customs receipts set aside for this Hawaiian fund, and Congress each year during the twenty years appropriate for such public improvements as it shall see fit.

Mr. MOON. Then this territorial revenue——

Mr. McINERNEY. Oh! That is under our own local control.

Mr. MOON. I know. But out of that money which comes into the treasury from custom; you do not control that, do you?

Mr. McINERNEY. No. We do not control that.

Mr. MOON. You want the benefit of that for the islands?

Mr. McINERNEY. We want the benefit of three-fourths of that for the islands, and not to be under control of the territorial government, but to be appropriated by the Government.

Mr. MOON. You want Congress to make an application of the funds, as I understand it, 75 per cent of the funds derived from the customs service and internal-revenue service of the island?

Mr. W. O. SMITH. Yes.

Mr. LLOYD. What is the specific purpose for which you want it? As I understand, you want it for public buildings and military and naval defenses and harbor improvements. Does not the Government provide for those various things now?

Mr. W. O. SMITH. The Federal Government has not provided anything for public improvements except the appropriation of last year for the dredging of Honolulu Harbor, \$400,000 being authorized and \$200,000 appropriated, and the work is now being carried on; and the other \$200,000 is asked to be appropriated this session. But the Federal Government has no buildings there at all. That will be explained more fully by the gentlemen who will follow me. Everything is crowded in the Territorial offices and the court-house and in such buildings as the Federal Government has been able to get. Of course, the custom-house was turned over to the Federal Government, as also the post-office.

Mr. LLOYD. Would not the public buildings that are necessary for the islands properly be provided for in the public building bill that may be passed by Congress?

Mr. W. O. SMITH. Yes; and we have been trying for several years to get the Federal Government to allow us proper public buildings, and have not been able to do so.

Mr. LLOYD. You will find nearly every district of the United States has been trying to do the same thing, and has failed; so you are simply in a similar position to the others in that respect.

Mr. W. O. SMITH. Yes; that is so in reference to the Federal buildings.

Mr. LLOYD. That is what I have reference to.

Mr. W. O. SMITH. But there are other buildings required—educational buildings.

Mr. LLOYD. To what kind of educational buildings do you refer?

Mr. W. O. SMITH. To the public schoolhouses.

Mr. LLOYD. Over the Territory of Hawaii?

Mr. W. O. SMITH. Yes; in different parts of the Territory. The Territory maintains the schools.

Mr. LLOYD. Have you any school fund there?

Mr. W. O. SMITH. Yes; and the Territory has been doing it all heretofore, and if this action is taken the Territory will bear all expense of maintaining the schools, but for building proper schoolhouses we want help. And there are harbors and wharves and other public improvements that ought to be made; more of the public lands ought to be opened for settlement.

Mr. LLOYD. Ought not any river and harbor improvements that are needed be made through the river and harbor committee, on proper presentation to the House?

Mr. W. O. SMITH. The suggestion of the President was that those things be done from money provided by this fund.

Mr. MCKINNEY. Do you not take care of your school maintenance and the building of new schools through your Territorial tax?

Mr. W. O. SMITH. We have done it; and a statement will be made in regard to money borrowed for the purpose. We have had to borrow to build schoolhouses because our revenue has not been sufficient. One-third of the revenue we have had before has gone to the Federal Treasury.

Mr. MCKINNEY. Under the provisions of this bill; giving you three-fourths of the custom and the internal revenue, would you be able to take care of your schools and your buildings?

Mr. W. O. SMITH. We hope so.

Mr. MCKINNEY. And would you also be able to take care of the public improvements that you need there?

Mr. W. O. SMITH. Certain public improvements ought to come out of this fund. There are some we will have to take care of ourselves.

Mr. MCKINNEY. Can you give, in round numbers, without trying to be absolutely accurate, what this 75 per cent of the customs and internal revenue would amount to per annum?

Mr. W. O. SMITH. Yes; we have the figures for each year of the last five years; it is between one million and eleven hundred thousand dollars for the last year.

Mr. MCKINNEY. That is the total?

Mr. W. O. SMITH. From the customs, a little over a million dollars a year.

Mr. MCKINNEY. Then how much from the internal revenue?

Mr. W. O. SMITH. The figures will be presented by one of the others here. The expenses will also be shown—the expenses the Federal Government has incurred during the last five years—and it will be shown that the 25 per cent which is to be reserved by the Federal Government will be more than ample, two or three times more than necessary, for all the current expenses of the Federal Government there.

Mr. MCKINNEY. Is 75 per cent of the customs and the internal revenue you ask for 75 per cent of the gross receipts?

Mr. W. O. SMITH. Yes, sir; yes; because the expense of collection and all that would come out of the other 25 per cent.

Mr. POWERS. I would like to ask you a question, Mr. Smith. Is this bill an innovation? Can you cite any instances—I do not refer to our insular possessions, but the case of a Territory, as you are a Territory and the people are citizens—can you cite an instance where the revenue from any particular part of the United States has been split up this way and allowed to the State or Territory to use it for its improvements?

Mr. W. O. SMITH. No; I don't know of any case.

Mr. POWERS. I think it is an innovation.

Mr. W. O. SMITH. Perhaps it is an innovation, but the circumstances under which we are placed are rather unique, and there is no other Territory which came in as Hawaii did, as a going concern with an established government. When you acquired California under the treaty of Guadalupe it was by conquest; when you purchased Louisiana or Alaska those conditions were all different. The great Territories out west were carved out of the public domain here on the mainland; but we were a going concern, an established government, when you took us in, and so well established, as I said a little while ago, that when you came to take us into the United States you hardly found it necessary to change our laws except in a few points. But we have continued to carry our government on without expense to the General Government. There has been no other Territory that has come in under such conditions or has had to exist under such conditions. I want to emphasize another point. We do not ask to have this fund given to us for our disposition, to be appropriated or disposed of by us, but to be appropriated from time to time by Congress. Hereafter if this fund accumulates the whole of it can be withheld or can be appropriated for one purpose or another, as Congress shall see best to do.

Mr. MCKINNEY. What is the school tax in Hawaii?

Mr. W. O. SMITH. The school tax is \$2 per head for every taxable man. That is only one small part of it. Regular appropriations by the general legislature from the general treasury are made for the maintenance of the schools.

The CHAIRMAN. Have you called attention, Mr. Smith, in the course of your remarks to the President's recommendation in regard to this?

Mr. W. O. SMITH. Yes; I have alluded to it, but it will be quoted by the gentlemen who follow me.

The CHAIRMAN. I wanted to call the attention of the committee to the President's recommendation in this connection, and of course it is a fact to be taken into consideration in connection with the proposed legislation. He says:

Laws should be enacted setting aside, say for the period of twenty years, 75 per cent of the internal revenue and customs receipts of Hawaii as a special fund to be expended in the islands for educational and public buildings and for harbor improvements and military and naval defenses. It can not be too often repeated that our aim must be to develop the Territory of Hawaii on traditional American lines.

I take it that this bill was introduced pursuant to that recommendation.

Mr. W. O. SMITH. Entirely so.

Mr. LLOYD. And the recommendation of the President was made pursuant to the recommendation of the governor of Hawaii?

The CHAIRMAN. I suppose so, and the governor of Hawaii is here to make an argument in support of the proposition.

Mr. W. O. SMITH. The governor in his annual report has called attention to and given very full details, and I understand that this year (perhaps not in his report), he called the attention of the President to the question again, and the President, following that, investigated the matter and then made the suggestions that you have read, Mr. Chairman.

Mr. WEBB. Do you know the difference between the revenue you received before you became a part of the United States territory and the revenue you receive now?

Mr. W. O. SMITH. Yes; in round numbers.

Mr. WEBB. Will you give us that?

Mr. W. O. SMITH. In round numbers we used to get about \$3,000,000 or \$3,200,000; we now get between \$2,000,000 and \$2,400,000 each year.

Mr. WEBB. Nearly a million dollars difference.

Mr. W. O. SMITH. Six hundred thousand dollars or \$800,000--yes, even a million dollars difference; and, further than that, in some respects our expenses have been larger, unavoidably so.

Mr. MOON. If we had not taken you over you would have had all of this for your use?

Mr. W. O. SMITH. Yes.

Mr. MOON. You want to get back 75 per cent of it, that is all you are after?

Mr. W. O. SMITH. Yes. As I said, we have been there as a going concern without expense to the Federal Government.

Mr. POWERS. How much sugar do you raise in Hawaii?

Mr. W. O. SMITH. About 400,000 tons.

Mr. POWERS. What is the duty on sugar?

A BYSTANDER. There is no duty on our sugar.

Mr. POWERS. But what is the duty?

Mr. W. O. SMITH. Two cents and a fraction; a little over 2 cents a pound on that kind of sugar.

Mr. MOON. The sugar plantations now in Hawaii are nearly all owned by large corporations, are they not?

Mr. W. O. SMITH. Yes; and the stock of those corporations is held by many persons, over 7,000 stockholders. Of course the controlling interest in certain plantations is held by a comparatively few.

Mr. MOON. As a matter of fact the natives of those islands have very little to do with the soil there?

Mr. W. O. SMITH. The Hawaiians?

Mr. MOON. Yes; they do not control much of the sugar lands, do they?

Mr. W. O. SMITH. Not much of the sugar lands, but they own other lands.

Mr. MOON. Native corporations?

Mr. W. O. SMITH. No; there are no native corporations. The native Hawaiians themselves were not traders by instinct or practice, and are not business men who carry on large enterprises.

Mr. MOON. I understood you to say that most of the lands are now controlled by the corporations that are using the sugar lands, raising the cane: is that so, or not?

Mr. W. O. SMITH. No; not most of the lands; the sugar is a great industry, and it occupies and requires in its cultivation from 80,000 to 90,000 acres in cane.

Mr. MOON. Who is making the sugar there?



Mr. W. O. SMITH. These corporations, white people, but they have stockholders in large numbers.

Mr. COLE. Do these corporations own a majority of the sugar-producing area out there?

Mr. W. O. SMITH. Yes; they do own the majority, but there is a great deal of leased land that also belongs to the Government and to private individuals.

A BYSTANDER. And native Hawaiians.

Mr. W. O. SMITH. The native Hawaiians own a portion.

The CHAIRMAN. You propose to segregate a fund there for certain purposes. How would that fund be used differently under this bill, if it should become a law, than the funds would be used under the present conditions? That is to say, what different purposes would you apply the money to under this proposed legislation, if passed, than you do now?

Mr. W. O. SMITH. Our own money?

The CHAIRMAN. Any money.

Mr. W. O. SMITH. These customs revenues go the Federal Treasury; we don't have any of them.

The CHAIRMAN. How does the Federal Government help you in Hawaii in relation to these projects which you desire?

Mr. W. O. SMITH. Only by express and special appropriation, and there have been only two or three of such appropriations; otherwise they have not helped us.

Mr. LLOYD. The only advantage under this bill would be that appropriations might be made from time to time for educational purposes; is not that so?

Mr. W. O. SMITH. What is that?

Mr. LLOYD. I say the only advantage that would accrue if this bill should pass would be the fact that you would have appropriated and in the Treasury of the United States a fund for the purpose of building schoolhouses or an appropriation for educational purposes.

Mr. W. O. SMITH. No; we hope that it will go further than that; not only school buildings, but other public buildings and public works.

Mr. LLOYD. The other public buildings to which you refer it is the duty of the United States Government to erect now if they are needed?

Mr. W. O. SMITH. Yes.

Mr. LLOYD. It is the duty of the United States Government now to take care of your harbors, as it does any other harbor belonging to the United States?

Mr. W. O. SMITH. Yes. The difficulty is that they have not done it very well, and we think that by having this fund especially as a Hawaiian fund for these purposes we would be much more likely to get money for our public improvements.

Mr. LLOYD. In other words, you want to put this in shape that you are bound to get your improvements, whether the rest of the United States gets theirs or not?

Mr. W. O. SMITH. We will trust to Congress for that. If we had the appropriating of it there would be force in the suggestion; but we will have no voice in the appropriating, only as we appeal to you.

Mr. WEBB. You think three-fourths of that ought to be spent in your own country?

Mr. W. O. SMITH. Yes; but it will be appropriated by Congress.

Mr. McKINNEY. Can you give, approximately, the percentage of cost of collecting the customs revenues and the internal revenue?

Mr. W. O. SMITH. A little over 8 per cent.

Mr. McKINNEY. Would that cover the cost of the collection of customs and internal revenue in Hawaii?

Mr. W. O. SMITH. About 8 per cent; yes.

Mr. BEALL. I understand the United States Government has been getting their customs receipts and internal revenue for about five years in Hawaii on an average of about a million dollars a year.

Mr. W. O. SMITH. Something over that.

Mr. BEALL. During that five years how much has Congress appropriated for the benefit of Hawaii?

Mr. W. O. SMITH. We will present those figures and show what the actual facts are.

The CHAIRMAN. What Federal provision is there reaching Hawaii in relation to school funds?

Mr. W. O. SMITH. None, so far.

The CHAIRMAN. None at all?

Mr. W. O. SMITH. No.

The CHAIRMAN. You have had no Federal aid in relation to that matter?

Mr. W. O. SMITH. None at all. We have had no aid in any respect, except those special appropriations for the harbor and for our fire-claims matter.

Mr. COLE. What is the average tax on real estate there?

Mr. W. O. SMITH. The rate is 1 per cent, but on the full cash value, and the valuations are placed very high.

Mr. COLE. Can you not raise that per cent and make those corporations that own the sugar lands down there pay a bigger tax?

Mr. W. O. SMITH. They are paying a great many taxes now.

Mr. COLE. One per cent is not very high.

Mr. W. O. SMITH. They pay a 2 per cent income tax also.

Mr. COLE. One per cent is very low.

Mr. W. O. SMITH. It is low for the rate of taxation, but the valuations, as I have said, are very much higher than you are accustomed to here; that is, the valuations are very high in relation to the actual value of the property.

Mr. COLE. What is your rate there?

Mr. W. O. SMITH. It is the highest market value of the property; it amounts to what would be equivalent to 3 per cent in many cases—from 2 to 3 per cent—upon a fair taxation value.

Mr. LLOYD. You mean you actually assess the property at the market price. You know the law in nearly all the States is about the same thing.

Mr. W. O. SMITH. The expression in our law is "full cash value," and in order to increase the revenues that has been stretched—

Mr. LLOYD. The only difference would be in the custom. You actually assess at the cash value, you say?

Mr. W. O. SMITH. Theoretically, yes; but in reality a much higher valuation.

Mr. LLOYD. And in the States of the Union they do not; is that the idea you wish to convey?

Mr. W. O. SMITH. I mean to convey the idea, from my experience in the United States, having had some experience in California, that

they do not here assess the full cash value of property in the manner followed in Hawaii.

Mr. LLOYD. Notwithstanding the law directs it?

Mr. W. O. SMITH. With us, when the question came of getting more revenue since annexation, as between increasing the rate of taxation, which, of course, is very objectionable, and making a high value on property, they decided to increase the valuations on the property.

Mr. GALT. In regard to this question of taxation, Mr. Chairman and gentlemen, I wish to say that a couple of years ago I sat on the tax appeal board in Honolulu, and I wish to state from experience on that board we found it absolutely necessary to assess lands and property at values anywhere from 50 to 75 per cent higher than the prices would have been if we had sold that property, in our opinion.

Mr. HIGGINS. Why?

Mr. GALT. In order to raise revenue to run our government.

Mr. HIGGINS. Suppose you had increased the rate of taxation; that would have given you an increased revenue?

Mr. GALT. That was not done by the legislature; they did not do it.

Mr. WEBB. You had no power to do that?

Mr. GALT. No; we had not. I can safely say that our tax appeal boards there for the last four or five years have been absolutely obliged to stand by assessments of taxes which do not represent the true cash value of property. I think it is safe to say that two years ago, when I sat on the appeal board, 30 to 40 per cent of all the real estate in the islands could not have been sold for cash at all; but if we had been obliged to adhere literally to the law in regard to 1 per cent of the cash value we simply would not have had money enough to run our government.

Mr. LLOYD. Then your trouble is not that high enough values are not put on your property, but because of the failure to levy a sufficient rate of taxation?

Mr. GALT. Yes; we are levying a tax now I think that is about the limit, a tax which shows an increase of 50 per cent since annexation, which has been necessary to make up the deficit from the customs and internal revenues that now go to the Federal Government.

The CHAIRMAN. You have no large holdings of real estate, as compared with holdings in the United States proper?

Mr. W. O. SMITH. No.

Mr. POWERS. Are not there some valuable sugar plantations there?

Mr. W. O. SMITH. Yes; and some of the most valuable are property leased from private individuals, and some are owned by the government but held on long leases—forty or fifty year leases; but there are very few places where there are large areas suitable for—

Mr. GALT. I would like to state that the per capita tax for 1905 actually collected amounted to \$12.60 of the total population.

The CHAIRMAN. Does that mean everybody?

Mr. GALT. That means the total population of 154,000, according to the last United States census taken from the islands, including every nationality.

Mr. POWERS. Twelve dollars apiece?

Mr. GALT. \$12.60 apiece on the actual collection, taxes for the year 1905.

Mr. POWERS. You mean Territorial tax, or for all?

Mr. GALT. The Territorial taxes. In addition to that there was a tax per capita of over \$7 on what we contributed to the United States Government from our customs and internal revenue.

The CHAIRMAN. There is a good deal of real estate in Hawaii, but a good deal of the land there is not capable of standing a large tax, as I understand it?

Mr. W. O. SMITH. Yes; large areas of that kind.

The CHAIRMAN. As I understand it your lands down by the sea are adapted to certain kinds of products, and then a little farther up are the sugar lands, and then farther up are the grazing lands, and your surveys are very different from our system of surveys here, which is the rectangular system, you having one peculiarly adapted to the land on your island.

Mr. W. O. SMITH. Yes, sir.

### STATEMENT OF MR. GEORGE W. SMITH, CHAIRMAN OF THE BOARD OF SUPERVISORS OF THE ISLAND OF OAHUA.

Mr. G. W. SMITH. Mr. Chairman and gentlemen, I was born at Detroit and have resided for twenty-five years in the Hawaiian Islands; I am in the wholesale and retail drug business.

The argument I have prepared is in favor of the House bill as introduced by the Delegate from Hawaii, and I intended to quote at first that portion of the message which you yourself, Mr. Chairman, have just read, in which the President says that Hawaii is too heavily taxed and that laws should be enacted setting aside, for the period of twenty years, 75 per cent of the internal revenue and customs receipts from Hawaii as a special fund to be expended in the islands for educational and public buildings and for harbor improvements and naval defense.

In order to arrive at a satisfactory presentation of the statement that Hawaii is too heavily taxed, we shall have to compare the per capita tax of Hawaii with that of Territories more favorably situated and of contiguous area on the mainland. The Territories selected for comparison are Arizona, Oklahoma, and New Mexico, the comparison being on a citizen population. The comparison is as follows:

Territory.	Re- ceipts.	Expend- itures.	Debt.
Arizona .....	\$6.00	\$4.70	\$10.87
Oklahoma .....	2.92	1.97	1.06
New Mexico .....	4.25	4.67	4.68
Hawaii .....	36.04	42.45	32.61

Or to compare on a total population basis we find for the year 1904:

Territory.	Re- ceipts.	Expend- itures.	Debt.
Arizona .....	\$4.52	\$3.57	\$3.23
Oklahoma .....	2.69	1.83	.92
New Mexico .....	3.92	4.20	4.43
Hawaii .....	15.68	18.47	14.19

It may be noted here that in the year 1904 the debt per citizen per capita of the United States was \$16.39, and the debt per total capita of the United States was \$14.52.

On June 30, 1905, the total debt of the Territory of Hawaii amounted to the sum of \$3,137,000, or a total population per capita debt of \$21.37 and a total citizen per capita debt of \$40.70.

On this indebtedness \$2,000,000 consists of loans secured in 1903-4, and from this loan there has been expended \$255,387.12 for school and teachers' houses, with an amount of \$57,750.95 held in reserve on contracts extending beyond July, 1905, making a total for educational purposes of \$313,138.07. It is further proposed to expend for schools and teachers' houses an additional amount of, approximately, \$790,000.

Mr. LLOYD. What do you mean by teachers' houses.

Mr. G. W. SMITH. In the country we have to provide a cottage for the teacher to live in. We have no villages or towns throughout the islands, and the schoolhouses are situated in different parts of the islands adjacent to plantations, and the scholars come for miles around, and there are no boarding places for them—no places where they can find a residence—and so we have to provide for the teachers.

Mr. LLOYD. Can not they find a place with some of the plantation people?

Mr. G. W. SMITH. In some cases they can, but those instances are rare. Usually there will be a man and his wife together, and we have to provide a house for them.

In assuming a burden of this nature it has been the aim of the executive and the officials of the Territory to educate and prepare for citizenship the large and growing number of children, particularly those of other than Caucasian parentage. In this respect Hawaii is bearing a burden imposed on no other Territory.

The funds now used for the purposes named are by no means sufficient to meet the need, and more, larger, and better equipped schoolhouses are required.

The present school population enrolled in the public and private schools of the Territory is 20,406, being a percentage of 91.6 of the total population within the school age.

The rapid increase of the school population, amounting to over 8,000 in the past ten years, with the prospective immigration to Hawaii in the near future of a people eligible to citizenship from the Portuguese possessions, all of whom have large families, render it imperative that ample and proper provision be made for the care and education of the children of the diverse races inhabiting the Territory, and, were this the only point to be considered, Hawaii feels that it is one of such momentous importance to the future of the Territory that it is an ample justification for asking for the relief provided by the bill now before you.

Mr. LLOYD. What language do you teach in the school?

Mr. G. W. SMITH. English.

Mr. LLOYD. Do you teach any other language in the public schools?

Mr. G. W. SMITH. No; not in the public schools, except in the high schools; there they can have instruction in some of the modern languages if they desire.

Mr. WEBB. That is the same as the pupils in the high schools in this country are instructed in modern languages?

Mr. G. W. SMITH. Yes, sir. English has been the only language taught in the islands for the last twenty-five years—that is, I have resided there twenty-five years—and it has been the only language taught during the time I have been there, and I think it has been the

only language taught for considerably longer than that. They are educating those children to be American citizens.

Next in order, though secondary in its importance, comes the subject of public works. Under this heading there has been expended from loan funds during the years 1903-1905, for roads and bridges, public buildings, waterworks, sewerage, harbors, and wharves, the sum of \$1,111,709.16. This work has been wholly for Territorial uses and the harbor improvements and the wharves are independent of work done by or for the Federal Government. This money has been expended for the Territory for the improvement of the harbors and landings. You understand, probably, that we have only two harbors on the islands, the harbor of Honolulu and the open roadstead at Hilo. There is still reserved for contracts carried over July 1, 1905, the sum of \$540,832.77.

The need of public buildings in Hawaii is sorely felt, as is apparent to all who have visited the Territory. The custom-house occupies a building erected in 1859, to which from time to time there has been added buildings for storage purposes, and yet at the present time the room is inadequate. The post-office is in a building erected in the early seventies, ample at the period for the purpose, but wholly inadequate for the handling of mails at the present time and necessitating the renting of additional quarters. The United States district court occupies rented chambers in what was formerly the capitol building. The collector of internal revenue has very limited room and facilities in the basement of the present capitol (palace) building, while other Federal officials are distributed throughout the city in rented quarters.

The need of increased harbor facilities is one that has had the attention of the departments for some time past, and while much work is being done now, much more remains to be done to meet the requirements of the rapidly growing commerce of the Pacific.

At the present time the larger vessels of the Pacific Mail Steamship Company are compelled, when heavily laden, to remain outside of the harbor while discharging freight and passengers. Work is now being done which will overcome this to some extent.

Defenses: This is a matter of prime importance more particularly to the Pacific coast. The War Department has developed plans for the protection and defense, more particularly of the island of Oahu and the city of Honolulu. Ample funds are needed for the erection of works and the emplacement of guns.

The question may here be asked, Why has Hawaii so burdened herself and assumed such obligation? The answer is, first, the duty placed on those who are to guide the destiny of the Territory since annexation to the Union, and second, the inability through taxation to the limit of values to meet the demands of the opportunity and occasion.

The total area of Hawaii is 4,125,135 acres. Of this 1,078,692 acres are cultivated or cultivable or, more specifically, 1,690 square miles.

The assessable value of the real and personal property as of January 1, 1905, was \$133,924,100, divided as follows: Real estate, \$67,509,036; personal property, \$66,415,064. On this a rate of 1 per cent is assessed on the full cash value. That question came up a moment ago. The law says in many of the States, as I understand it, "The full cash value;" but as a matter of fact, property is not assessed at more than

from 40 to 60 per cent of its real value in most of the States of the Union. With us the cash value means 100 cents on the dollar.

The CHAIRMAN. What is the average assessed valuation per acre?

Mr. G. W. SMITH. Mr. Galt can tell you that better than I can.

Mr. W. O. SMITH. The cane land, from \$100 to \$150; rice land, which is wet land, from \$300 to \$400; good pasture land would be valued at about \$10 an acre; poor land is valued down as low as 25 cents, and some of it isn't worth anything.

Mr. GALT. Residence land in Honolulu will run from a thousand dollars to \$7,000, \$8,000, \$10,000 an acre; and business property in the heart of Honolulu is assessed as high as \$400,000 an acre.

Mr. G. W. SMITH. We have a limited amount of land in the islands to live on. In addition to this tax on property there is an income tax of 2 per cent on all incomes in excess of \$1,000.

Mr. W. O. SMITH. Will you allow me to interrupt you there a moment? The public lands, of course, pay no taxes, and they constitute a considerable area of the land of the islands.

Mr. HIGGINS. What are they devoted to?

Mr. W. O. SMITH. Some of them are leased out, some are not used at all.

Mr. HIGGINS. Leased for agricultural purposes?

Mr. W. O. SMITH. Yes; and there are large areas that are not yet opened that could be made productive, and will be, eventually, when they are opened and get the right kind of settlers to develop them.

Mr. COLE. What is the total amount of revenue derived from your income tax?

Mr. G. W. SMITH. Can you furnish that, Mr. Case? We will answer that later.

Mr. POWERS. I suppose you exempt incomes under a thousand dollars.

Mr. G. W. SMITH. Only \$1,000.

Mr. POWERS. Then, I suppose there are other exemptions?

Mr. G. W. SMITH. No; no other exemptions at all; the gross income, less \$1,000.

Mr. WEBB. In other words, you tax all the income above a man's \$1,000 at 2 per cent?

Mr. G. W. SMITH. Yes.

Mr. POWERS. What is the difference between gross and net income?

Mr. G. W. SMITH. After paying his actual necessary expenses, the rest is his gross income.

Mr. POWERS. In getting at the income the expense of his business is taken out from his total receipts?

Mr. G. W. SMITH. Yes.

Mr. POWERS. So there is really no difference between net income and gross income?

Mr. G. W. SMITH. Perhaps not.

Mr. W. O. SMITH. In this connection it should be stated that the corporation pays the income tax on the whole of the profit of the corporation; so the individual stockholder is not assessed with the proportion that he gets of that dividend.

Mr. G. W. SMITH. The total income tax for the year ending June 30, 1905, was \$157,057.96.

Mr. POWERS. That would mean some \$7,000,000 net income.

Mr. G. W. SMITH. Seven million eight hundred thousand dollars in round numbers.

The local taxation per capita amounts to \$15.20, and the Federal taxation per capita equals \$7.20. Mr. Galt stated that the actual per capita tax collected in 1905 was \$12.60. The per capita tax assessed amounted to \$15.20, but it was not all collected. So there is a total of \$23.40 per capita assessed on the citizens of Hawaii. The total receipts for the Territory for the period ending June 30, 1905 were \$2,351,813. The total expenses for the same period were \$2,267,963, an excess of expenditures. Under the various forms of government prior to annexation Hawaii enjoyed the custom-house receipts from the tariff then existing.

Mr. POWERS. How much did you say the Federal tax per capita was?

Mr. G. W. SMITH. \$7.20.

Mr. POWERS. It is quite as much as that in the States of the Union?

Mr. G. W. SMITH. Yes; and prior to the annexation we enjoyed the receipts from the tariff then existing, and with these receipts in addition to the receipts from taxation the work of government was carried on.

With annexation the first of these sources of revenue ceased and the Territory had only the taxation receipts to carry on the government and provide the many improvements required by her advanced status and duty to civilization.

In asking that this percentage of the revenue be set apart Hawaii is not seeking to be relieved from paying the United States tariff as imposed on the balance of the citizens of our country; on the contrary, the utmost willingness exists to meet the duties implied and assumed by citizenship. Since annexation the Government of the United States has received from the customs and internal revenue in Hawaii the sum of \$6,059,171.

Mr. LLOYD. Is that to the 1st of July?

Mr. G. W. SMITH. That brings it down to the 1st of July.

Mr. MCKINNEY. On what, principally, do you pay that internal revenue?

Mr. G. W. SMITH. Principally on liquor licenses. That is not all internal revenue; that is customs and internal revenue.

Mr. MCKINNEY. I am talking about internal revenue.

Mr. BEALL. You pay the same internal-revenue tax as we do here?

Mr. G. W. SMITH. Yes. That is, \$264,000—

Mr. POWERS. Do you have a brewery down there?

Mr. G. W. SMITH. Yes, one; we have just commenced the manufacture of wine on the island of Maui.

Mr. HIGGINS. Do you export it?

Mr. G. W. SMITH. No; it will not amount to a thousand gallons this year. On the other hand, the Federal Government has been liberal in a large measure with the Territory in the assumption of a portion of the debt of the Republic of Hawaii, \$1,000,000, in the payment of what are known as the fire claims, \$1,000,000; for the harbor of Honolulu, \$200,000; army posts, \$400,000; leprosarium on the island of Noloikai, \$150,000; and for immigration stations, quarantine stations, and the maintenance of army and naval stations.

The foregoing expenditures of the Federal Government, amounting to \$5,850,000, are less than the revenue received by \$209,171.51, but



from the total should be deducted the \$400,000 of the debt assumed, which was a contractual payment specifically named in treaty of annexation.

Furthermore, only one of these payments, that of the fire claims, was of direct benefit to the Territory, the other expenditures being incidentally to the benefit of the Territory and directly for the benefit and protection of the Pacific coast and mainland in general.

Hawaii stands in the unique position of being the only Territory of the Union that is not, and has not been, an expense and a burden to the Federal Government.

Mr. POWERS. Do you not think when you take the expenses of collecting revenue from that small balance you have and everything incidental to it, that there is no balance in favor of Hawaii?

Mr. G. W. SMITH. No; there is a balance in favor of the General Government.

Mr. POWERS. I mean a balance in favor of the General Government.

Mr. G. W. SMITH. No, sir; I think there will still be a balance in favor of the General Government.

Mr. POWERS. Will not the expenses more than consume that \$200,000.

Mr. G. W. SMITH. No, sir. The balance to be retained as provided in the bill is more than ample for all the expenses of the Federal Government in Hawaii, the actual cost of which for a period of five years has amounted to \$1,189,137.30, an average per annum of \$237,827.46, as shown by a letter from the honorable Secretary of the Treasury to the Delegate from Hawaii.

Mr. LLOYD. Do you not think the same argument would apply and the same kind of statements would appear with reference to every State in the American Union if you undertook to show what it has actually received in returns from the Government and what it has paid to the Government?

Mr. G. W. SMITH. Yes; probably that would be so, but the conditions in the States are entirely different from the conditions with us.

Mr. POWERS. Let me ask you another question, because I want to get at this. How much of these duties—this million and more a year—how much are paid by residents in Hawaii in the consumption of articles that are brought in there?

Mr. G. W. SMITH. It is all paid by residents of Hawaii, sir.

Mr. POWERS. I supposed that many of the vessels engaged in trade that call there might purchase supplies there and pay duty?

Mr. G. W. SMITH. No, sir. Take the American steamships, all the steamships that come there, and you will find that their supplies are bought in New York or elsewhere. Even in San Francisco people complain that the steamship companies do not buy anything in San Francisco, but rather, make their purchases in New York. Before we had so many steamers we had a large fleet of sailing ships that came to Hawaii, and they were the source of revenue to the merchants of Honolulu, they purchased their supplies there; but those have been gone now for five or six years.

Mr. W. O. SMITH. Take those Pacific mail boats; they put all their provisions in cold storage, and they never buy any supplies at Honolulu. It is a common complaint on their steamers from Honolulu to San Francisco that the passengers are served articles that have been in cold storage for two or three months.

Mr. COLE. Do you not think Hawaii has been benefited by the free market for sugar in this country?

Mr. G. W. SMITH. Undoubtedly.

Mr. POWERS. Have you ever figured out how much the duty would be on 400,000 tons of sugar?

Mr. G. W. SMITH. No, sir.

Mr. POWERS. It would be something like \$16,000,000 a year.

Mr. W. O. SMITH. Something like that.

Mr. G. W. SMITH. Yes; but the United States saw proper to enter into a reciprocity treaty with the then reigning sovereign several years ago, and the benefits have been mutual, not only as a matter of sentiment has the treaty been desirable, but as a matter of dollars and cents and as a defense to the United States. It has prevented any other power coming into Hawaii, any power which might be hostile to the United States, which might hold the islands as a point of strategic value.

Mr. POWERS. I suppose there is another reason why you have lost by coming over to the United States, and that is that you have been prevented from any longer employing coolie labor, and that thereby it has cost you more to produce your sugar?

Mr. G. W. SMITH. It probably costs us more, but that has not entered into our consideration at all. When we asked for annexation we were perfectly willing to accept all the obligations and laws that would apply to the States and Territories of the United States on the mainland.

Mr. MCKINNEY. What would be the principal items that would make up your customs?

Mr. G. W. SMITH. I have not the table of the collector of the port handy, but I would say large importations from the Orient, large importations from the South Sea, some importations from England and Germany, a number of things coming into Hawaii from the American market from New York. Take my own line, wholesale and retail drugs. I buy in New York, and Philadelphia, and at other places, and I buy things that have been imported at New York, and I buy them from the jobber and bring them to Hawaii.

Mr. MCKINNEY. That would be a customs duty that your New York correspondent would have to pay.

Mr. G. W. SMITH. He would have paid that.

Mr. POWERS. You do not buy them in bond?

Mr. G. W. SMITH. Not unless I buy them in large quantities. There are certain things we have to buy in Germany, chemical glassware and philosophical instruments, which are not made in the United States.

Mr. MCKINNEY. Then in returning to your people three-fourths of that customs duty it would give you that much advantage of your New York correspondent over anything he handles himself?

Mr. G. W. SMITH. Not at all; because we pay the duty.

Mr. MCKINNEY. He does not get it back.

Mr. G. W. SMITH. He gets it back indirectly.

Mr. MCKINNEY. Take it in my own State of Illinois. We have one revenue district, the Peoria district, in which every year millions of dollars of internal revenue are paid into the United States Treasury. If we were allowed three-fourths of that revenue there it would run the State of Illinois without any other source of income.

## STATEMENT OF MR. GEORGE B. McCLELLAN.

Mr. McCLELLAN. In regard to the question of the proportion of payments to the Federal Treasury made by the citizens of Hawaii, in comparison with the United States as a whole, which is a fair comparison, there are two things about that, gentlemen: First of all, of the \$1,200,000 a year, which is shipped out in gold coin from Honolulu to the subtreasury at San Francisco, practically every dollar of that is for goods consumed within the Territory of Hawaii. It is not for reexportation, and it is not even in considerable part for sale to passing ships. That puts it entirely in a different position from the district of Peoria, which Mr. McKinney has referred to. The district of Peoria does not make that payment out of its own funds. They pay that not as a sum which comes out of them, but as a matter of profit to them on a product which they sell all over the United States.

Now, the second point is this, gentlemen: That in addition to this \$1,200,000 of Federal revenues which we pay in gold coin, we also pay our pro rata of general indirect contribution to the Federal Treasury on the \$11,000,000 or \$12,000,000 of goods which we buy from the United States. Take a district, for example, such as is represented by Mr. Reynolds. I think there is no customs collection district in your Congressional district, is there?

Mr. REYNOLDS. No, sir.

Mr. McCLELLAN. Nobody maintains that because Mr. Reynolds's constituents have not a collection port in their district that they are not making contributions to the Federal funds. They are making their contributions indirectly. And so in many other districts that have no collection ports.

Now, gentlemen, you must not lose sight of the point that we are making our contributions on the \$11,000,000 or \$12,000,000 worth of goods that we buy from the United States, on which duties have already been paid on the merchandise that was imported or on revenue goods, and we are doing the same as the district of Mr. Reynolds, or the district of Mr. Cole, or the district of any other gentleman who represents an inland district without a collection port; we are making that same contribution as is made by the citizens of the United States. So, after all, this \$1,200,000 represents but a small part of our purchases; our main purchases are from the United States. We make the same indirect contribution to the Federal Treasury, and this quota which we pay is in addition to that and is equal to the indirect average of the United States. I think, gentlemen, that that point is very germane to this subject and that that fact ought to be borne clearly in mind by the committee.

Mr. MCKINNEY. I was not raising the point that it would be fair to get back three-quarters of the revenue of Peoria, because I know that the price paid would be added in the course of trade, and I was imagining that that might be the case in Hawaii. For instance, in the matter of drugs mentioned by Mr. Smith; in other words, that the amount paid in this internal revenue will come back in the natural trade channels.

Mr. McCLELLAN. I beg your pardon?

Mr. MCKINNEY. Will not some of this come back, some of that that is paid in customs, does not some of it come back to your people?

Mr. McCLELLAN. To a small extent. This must be kept in mind, gentlemen, that we are not within the bounds of interstate commerce, the same as any State and Territory within the body of the main land; and that is one of the essential and logical reasons why a detached Territory is, from a fiscal point of view, more nearly an insular possession than a Territory. The currents of commerce are not flowing through our borders, as they are in the other States and Territories of the Union, and consequently we do not get those reciprocal benefits of trade; our goods come there and they are distributed in the Territory; we do not take them then and send them to Samoa and other points, but we consume the goods there, and there is none of this interplay of interstate commerce flowing through our Territory as there is in the case of every other State and Territory in the Union.

Mr. HIGGINS. Is not Hawaii used as a distributing point at all?

Mr. McCLELLAN. Practically not at all; no, sir. There might be some very minor exception to that statement, but it is practically not a distributing point at all.

Mr. W. O. SMITH. There is no breaking of cargoes at Honolulu or anything of that kind; the passing ships never break their cargoes there.

(Thereupon, at 12.30, the committee adjourned.)

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COMMITTEE ON THE TERRITORIES,  
*Wednesday, February 7, 1906.*

#### STATEMENT OF MR. D. H. CASE, OF WAILUKU, HAWAII.

Mr. W. O. SMITH. Mr. Case is from the island of Maui, which is not the island on which Honolulu is situated, but is the one next to the south and east of it. He is the district attorney.

Mr. LLOYD. I would like to ask the witness of yesterday some questions before Mr. Case begins. I want to inquire about the fiscal affairs of your Territory, and I rather understood from your statement yesterday, Mr. Smith, that you had a gentleman who would give the fiscal conditions of Hawaii. Your statement was more as to the general conditions in the Territory.

Mr. SMITH. Yes, sir. Mr. McInerny, of our party, has segregated the different items concerning the finances of our Territory, and he has them in very good shape to submit to the committee. Under the circumstances, it is rather impossible to avoid going over the same ground a little each day, but we have tried to avoid this by presenting the subject from different points of view. Mr. Case will now proceed.

Mr. CASE. I reside at Wailuku, in the island and county of Maui, and am an attorney by profession.

Mr. LLOYD. Do you represent any special interests here? How did you happen to come here?

Mr. CASE. At a mass meeting of the citizens of my county a committee of seven citizens were chosen with full power to select a delegate to accompany these gentlemen, and I was chosen by this local committee as one of the seven representatives from Hawaii. That is how I have come to be here with my colleagues on this mission.

Mr. WEBB. You are district attorney?

Mr. CASE. Yes, sir; county attorney of Maui county.

Mr. Chairman and gentlemen of the committee, as has already been stated by those who have preceded me, the internal revenue and customs receipts collected in Hawaii since July 1, 1900, has amounted in round numbers to \$6,059,000. The amount collected for the fiscal year ending June 30, 1905, was \$1,043,340. It is three-fourths of this sum, or three-fourths of whatever sum may be derived from these sources from year to year, that Hawaii is asking Congress to set aside and devote to Territorial and Federal improvements throughout Hawaii. Before Hawaii became an integral part of the United States all of this revenue was a part of Hawaii's receipts, from and out of which a very considerable portion of her yearly disbursements were made. Since July 1, 1900, this fund, large as it is to Hawaii, and necessary as we believe it is to her success as a Territory, has gone into the Federal Treasury.

When we stop to consider that Hawaii comprises an area of but approximately 6,400 square miles, the larger portion of which is land that can not be put to any good use, and further bear in mind that her total population is less than 155,000, it is not difficult to understand why it is that Hawaii is appealing to Congress for the expenditure of this revenue in Hawaii.

There are but ten customs districts within the United States wherein there are collected custom duties amounting to over \$1,000,000, and Hawaii is one of those ten. Classed among these districts may be mentioned New York, Philadelphia, New Orleans, Chicago, San Francisco, and four other cities quite as important if not as large. Again, each of these customs districts lies within a State whose population is numbered by the millions, where Hawaii counts hers by the thousands, and whose resources are estimated in dollars, where Hawaii estimates hers in cents.

In a consideration of the purposes for which this fund, if set aside by Congress, should be devoted, I would call your attention more particularly to matters pertaining to education.

Hawaii has a cosmopolitan population, in round numbers divided by nationalities, as follows:

Hawaiian .....	30,000
Part Hawaiian .....	8,000
Caucasian .....	26,000
Chinese .....	20,000
Japanese .....	61,000
Korean .....	6,000
Scattering .....	4,000

The total enrollment in our schools for the year ending June 30, 1905, was about 20,000, divided by nationalities, as follows:

Hawaiian .....	4,972
Part Hawaiian .....	3,284
Caucasian .....	5,906
Chinese .....	1,985
Japanese .....	3,609
Scattering .....	650
Total .....	20,406

showing an increase over the previous year of over 1,100 pupils.

Another interesting fact for us to bear in mind in a consideration of this subject is that of the native-born population.

We have something over 4,000 native-born Chinese, and nearly 5,000 native-born Japanese.

Over 5,500 of these Asiatics have been born in Hawaii since annexation, so that, at the present time, there are in the neighborhood of 5,500 or 6,000 Asiatic children who, in due time, are capable of becoming American voters, and who will take their places, not only in the commercial but in the political life of Hawaii.

There is and can be no difference of opinion as to the policy of this country which declares that Hawaii must be developed along traditional American lines.

In the accomplishment of this first and imperative duty Hawaii has encountered, and for many years to come will continue to encounter, difficulties never at any time experienced by her sister Territories. In other Territories the material for future citizenship has been and is almost, if not quite wholly, occidental, while in Hawaii, on the other hand, a very large percentage of our children are of oriental parentage. Their conceptions of right and wrong, their ideas of government, their habits, customs, and usages are at variance with our own. To instill into the minds of these Orientals a broad knowledge of the principles that underlie our Government is the task before us. A love for our flag and loyalty to our institutions can only be expected from those who have enjoyed to the fullest extent the privileges of our free educational system. Justice demands that these benefits be conferred on all alike. Not only does justice call for such a course, but policy alone dictates its adoption.

Under existing conditions is Hawaii able to accomplish this great work alone? That she has made and is making every effort to do her part there can be no question. Aside from general appropriations made at each session of the Territorial legislature and devoted to educational work, out of the loan authorized by the legislature of 1903 there was expended upon educational buildings alone throughout the several islands the total sum of \$315,138, and still other large sums for like purposes are being and are to be expended out of the loan fund authorized by the legislature of 1905.

While we are blessed with a number of what we consider beautiful and substantial school structures, still, to all familiar with conditions throughout the islands generally, it is a well-known fact that our school buildings and school equipment is at the present time grossly inadequate to the growing needs of the Territory. I might here cite an instance where the second largest schooling population in my county, in which there are hundreds of children of all nationalities, is such that the building is considered quite unsafe for habitation. The government has not the funds, however, to either erect a new building or reconstruct the old one, and has felt that it could not go any further than it has gone in the matter of erecting new schoolhouses. Our superintendent of education in a report recently made places the estimated cost of these much-needed improvements at \$788,500.

In petitioning Congress to set aside 75 per cent of our internal-revenue and customs receipts with a view to using a portion thereof from year to year in furtherance of our school needs we do not feel that we are asking anything more than even-handed justice calls for.

Public buildings: As has been said, new quarters for the custom-house, the post-office, the United States district court, and the internal-revenue department are very much needed.

The present quarters now occupied by these various departments are either buildings turned over to the Federal Government by the Territory at the time of annexation and now given over entirely to Federal purposes or are limited space in buildings still Territorial property, space that is very much needed by the Territory for Territorial purposes.

We believe that no better use could be made of a substantial portion of this revenue than by devoting a portion thereof to the erection of commodious Federal buildings, wherein our Federal officials stationed throughout the Territory might be housed, the erection of which would be a source of pride not only to the citizens of Hawaii but to every patriotic American.

Harbor improvements: The United States proposes to maintain commercial supremacy in the Pacific. In the point of tonnage and revenues collected Hawaii, as has been heretofore stated, stands tenth on the list.

The harbor of Honolulu should be such that vessels of any draft and length crossing the Pacific could dock and find ample facilities for handling both freight and passengers. At the present time this can not be done, even by certain of the vessels calling at our ports. None of the Territorial wharves to-day are suitable to accommodate the larger vessels entering the port of Honolulu. New and longer ships should be constructed, larger wharves, and more spacious sheds provided.

Out of the loan fund authorized by the legislature of 1903 there was appropriated and has been expended on harbors and wharves approximately \$371,000, and the expenditure of still further amounts for like purposes was provided for by the legislature of 1905.

The Territory has for many years realized a considerable revenue from wharfage charges, this during the fiscal year ending June 30, 1905, amounting to approximately \$30,000. However, even this source of revenue has steadily declined from year to year, owing in a large measure to the fact that the Territory has not had sufficient funds wherewith to place its properties in such condition as would enable vessels to economically handle their freight.

Our commerce is constantly growing, and provision should be made to meet the new demands that are being and will continue to be made upon us.

We believe we are keeping strictly within the range of modesty when we petition that 75 per cent of our internal revenues be set aside and a portion thereof be devoted to the improvement and extension of our harbors and wharves, which are almost wholly in the nature of Federal improvements.

Military and naval defense: Personally, I do not feel as though any of this special fund, if created, should be devoted to military and naval defenses throughout the islands. Prior to annexation Hawaii was an independent nation. She had no navy and no army worthy of the name. Her very weakness was her strength among the powers of the world. She required no defenses of any kind.

After annexation a proper defense of the islands became of vital importance to the United States. At no point is there more urgent need of heavy expenditures in the way of military and naval defenses than in little Hawaii. However, should this revenue be set aside it must rest with Congress to determine whether or not any of it shall be devoted to this purpose.

It should be borne in mind that the expenses of maintaining our island government have steadily increased in every department since annexation.

In the courts of the Territory the criminal and civil business has practically doubled. Where prior to annexation there were three or four terms of court each year in what is called the first circuit (this being the island of Oahu, on which Honolulu is situated and in which there is more business than on any of the other islands), each of these terms lasting not to exceed five or six weeks, there are now continuous terms in this circuit lasting the year through. Not only this, where two judges were before able to handle the business three are now required, with the necessary increase of force in the attorney-general's department, the police and judiciary departments. In the other circuits of the islands there was formerly but two terms a year in each circuit, each term lasting from two to four weeks. We now require three terms in each circuit, the terms lasting from four to six weeks and in some instances even longer. It is true that our circuit judges are paid out of Federal funds, but all other expenses connected with our courts are borne by the Territory. Again, prior to annexation a very large percentage of our criminal offenses were classed as misdemeanors, and persons charged with the commission thereof were tried and either acquitted or convicted without the intervention of a jury other than on appeal and at much less expense, and, as many still believe, with as exact justice as under the present system. Since annexation the great majority of these cases require a hearing before a grand jury, the finding of a true bill, and thereafter a trial before a petit jury, which practically doubles the work of the courts.

Hawaii fully realizes that it is her duty, and it is her pleasure as well, to contribute a just proportion of her annual revenues toward the common defense and general welfare of the Federal Government. On the other hand, she feels that, under the present order of things, she is bearing a share of such expense out of all proportion to her area, her population, and her wealth.

Hawaii stands in a decidedly different status from contiguous territory. Situated twenty-one hundred miles from the nearest coast line of California, her geographical, political, and commercial conditions call for a course of treatment quite different from what would ordinarily be applied to territory not isolated by thousands of miles of water.

Our bonded debt at the present time is \$3,137,000, and, as has been stated, we are paying a per capita tax of about \$22. The withdrawal of these internal revenues and customs receipts has resulted in our paying, per capita, to the Federal Government between seven and eight dollars.

Some of our friends have labored under the impression that Hawaii was seeking a "rebate" or "refund" of customs duties. This is a mistake. We do not ask that Congress enact any legislation turning these internal revenues over to the Territory of Hawaii for Hawaii to spend for such purposes, at such times, in such amounts, and in such manner as she may choose. Neither do we ask that Congress so legislate that this revenue, as a trust fund, be placed in the hands of some other department of the Government, and thus, for a period of twenty years, placed beyond the control of Congress.



What we do ask, and all that we ask, is that Congress set aside 75 per cent of these revenues, derived from Hawaii's own ports, for a period of twenty years as a special fund, and from and out of which, from year to year, appropriations can be made by Congress for such purposes, Territorial and Federal, as Congress may, from time to time, in its wisdom determine.

I might add a word to what was said yesterday on the subject of taxation. I am aware of no better way to bring to your attention what our 1 per cent tax really is on a man in the Hawaiian Islands than by citing a particular instance. I am not a man of means; however, I am fortunate enough to have a little home that is assessed by the Government at \$3,700. From it I get an income, a yearly rental, of \$300, out of which the taxes, insurance, and repairs must be met. I have endeavored at different times to sell this property for \$3,000, but thus far have failed. I think you will agree with me that an assessment of \$3,700 is full value, and more than full value, for the property. I think that the other members of the commission could cite similar instances concerning their own holdings.

Mr. LLOYD. Are you advised as to the amounts received by the government from leases?

Mr. CASE. I believe we have it right here. The revenues are \$568,959, which is since the annexation. The land sales, \$123,995.

Mr. LLOYD. I am talking of leases.

Mr. CASE. Those are land revenues.

Mr. LLOYD. Is it not true, as a matter of fact, that you do not receive from leases what you ought to receive?

Mr. CASE. That may be, and undoubtedly is, true. Many of our leases were made at a time when land had very little value. Within the last ten or fifteen years the land has, of course, very much increased in value. Again, these leases comprise large areas, a large percentage of which always has been and still is of little or no value. Also the question of water has a great deal to do with value.

Mr. LLOYD. Is this statement of the governor true, in his report for the year 1904, that you have 424,422 acres of lands leased to 10 different parties?

Mr. CASE. That I am unable to say. If it is so stated in the governor's report, it must be true.

Mr. LLOYD. And that the amount received per acre was less than 2 cents?

Mr. CASE. I have no doubt that the governor made that statement, believing it to be correct. If he made it, he undoubtedly had statistics to back up his statement.

Mr. LLOYD. What do you say as to this? I am quoting from the governor's report of 1904:

These tracts comprise a very valuable proportion of some of the choicest lands in the country, and include upward of 7,800 acres cane land now actually under cultivation, besides a very large area suitable for coffee and other tropical products.

Mr. CASE. These leases, as I say, were entered into many years ago. Mr. Lobenstein can, I am sure, give you the desired information much better than I. These leases were made at a time when the land was not at all valuable. These leased lands comprise large tracts of mountain lands, some of which down close to the sea are very valuable to-day. I am not personally thoroughly conversant with the matters mentioned, but I have no doubt this land—

Mr. LLOYD. Are you advised as to the method of taking care of your funds, and whether or not it be true that there has been an embezzlement of government funds?

Mr. CASE. There has been some embezzlement of these funds.

Mr. LLOYD. Is it true in the governor's statement, in his report for 1904, that there has been an embezzlement of \$27,234?

Mr. CASE. I have no doubt that that is correct, as he had the facts before him. We were unfortunate in meeting with several cases of embezzlement under former conditions, several years ago, when proper provision was not made to guard against such embezzlement, in the way of securing bonds from officials who had government funds in their hands and under their control. That condition of things was investigated and has since been corrected.

Mr. LLOYD. Are you advised as to the expenditures of your legislative body from time to time for its own maintenance? I mean for carrying on the legislative duties?

Mr. CASE. They do that, of course.

Mr. LLOYD. Is it true, as the governor states, that from 1870 to 1892 the amounts expended by the legislature ran from \$15,000 to \$50,000, and that in the sessions of 1901 and 1903 they were \$94,666 and \$87,471.30, respectively?

Mr. CASE. I think that is correct. It was a condition of things to which a great many of us objected—a condition of things for which the present administration and the better class of citizens were and are not responsible.

Mr. LLOYD. Is it not true, as a matter of fact, and this is a serious question I am asking you, that you gentlemen are here to-day because the legislature of Hawaii has squandered your money?

Mr. CASE. I would not say that. I think myself that there have been expenditures there that were uncalled for and unjustified. However, the same may be said of many other legislatures on the mainland.

Mr. W. O. SMITH. I would like to say something at this point, if I may.

The CHAIRMAN. Do you yield to Mr. Smith?

Mr. CASE. Yes, sir; I would be pleased to.

Mr. SMITH. As to that matter of the expenditures of the legislature, I will say that after the organic act was passed the first elections were very expensive, and a majority of the legislature was controlled by men who were not as responsible as they ought to have been, and some of the expenditures under these first sessions were scandalous. This has been remedied in very large measure since.

Mr. LLOYD. What will you say to the last statement of the governor of that Territory, that in the year 1903-4 the receipts were \$2,415,356.33 and the expenses were \$3,397,018.66, making an excess of disbursements of \$663,480.70?

Mr. SMITH. I suppose the statement is true, but following that the expenses were very much reduced. Salaries were reduced and expenses cut down, so that now it will be shown by other tables that the current expenses for 1905 were a little within the receipts. We had a period after annexation that disturbed and taxed us to the utmost to try to control. General suffrage was given to elect members of both houses of the legislature, and there were too many men who were elected who were irresponsible, and the conditions were very difficult to control, but things are now on a much better basis.

Mr. LLOYD. Is it not true that in 1903-4 more money was expended in the Territory of Hawaii, through the legislature and through the official machinery there, than was expended in Arizona, New Mexico, and Oklahoma combined?

Mr. SMITH. I do not know what the expenses of those Territories were. If the governor made that statement he undoubtedly had the facts.

Mr. LLOYD. Is this correct, that the receipts from July 1, 1903, to June 30, 1904, in general taxes, were \$1,566,000; and from the road tax were \$114,000, in round numbers—I am not giving the exact figures—from land sales, \$18,000; licenses, \$131,000; water receipts, \$118,000; sundries, including inheritance tax, \$465,000; making the total revenue receipts, \$2,415,000?

Mr. SMITH. Those figures are taken from the record, and are undoubtedly authentic.

Mr. LLOYD. And is it true that you expended in addition to that \$663,480—

The CHAIRMAN. What is the report you have in your hand?

Mr. LLOYD. The report of the governor of Hawaii for the year 1904. I understand that his report for 1905 does not show such a bad state of affairs, and these questions are to be gone into by persons familiar with the facts.

Mr. GALT. I think all of the statements quoted from the governor's report are undoubtedly true. As to the extravagances of our legislature in regard to embezzlements, etc., in this respect, I do not think that we are unique at all. But I would like to answer one question, and that is, Would we be here asking for this appropriation if it had not been for the extravagances of our government? I say yes; undoubtedly. The extravagances of our government over and above receipts would have cut an insufficient figure to have warranted our coming here for this appropriation had we kept the duties under our control—the customs revenues which we had previous to annexation, and which had been used not only for the current expenses, but for public improvements—

Mr. SMITH. May I add this also, that after annexation, in the years referred to, the expenditures exceeding the receipts does not necessarily imply extravagance, as one-third of the revenue was taken away. It was difficult to change the system and economize; it was impossible to do this efficiently at once.

Mr. LLOYD. May I interrupt you at that juncture? The last report which you have just handed me shows that the receipts for the year ended June 30, 1905, were \$2,354,813.02, and the disbursements \$2,988,057.10, and that there was a deficit of \$576,630.79.

Mr. SMITH. Of the current revenues?

Mr. LLOYD. That is what this says.

Mr. G. W. SMITH. That was for the payment of outstanding warrants in the last year, which, owing to the expenditures of that year, had to be carried in the Treasury, amounting to some \$86,000.

Mr. LLOYD. As I understand from this report, on the 1st day of July, 1904, you had outstanding warrants to the amount of \$720,000; and that on the 1st day of July, 1905, you had outstanding indebtedness—which, I suppose you would consider outstanding warrants—to the amount of \$576,000.

Mr. G. W. SMITH. That matter of treasury warrants ought to be explained a little. After annexation these customs revenues were diverted, but the expenses of the government continued, and we had a law there that when there were not sufficient funds in the treasury we could issue treasury warrants payable at a later date, generally ninety days. These warrants were issued at 5 per cent, and one year lapped over to another. But I think that you will find in subsequent statements that during the last year the actual current expenses have been less than the current revenues.

Mr. LLOYD. What do you say to this statement in the governor's report for 1904, that at the time of annexation you had a bonded indebtedness of \$958,000, and that on June 30 you had a bonded indebtedness of \$2,185,000, and that between 1904 and 1905 you increased it, according to the statement of Mr. Smith yesterday, \$3,700,000 more, and then in the last year you have increased it \$500,000 more.

Mr. SMITH. That was explained in one of the statements made yesterday. Those were the bonds for borrowed money, which was used for public improvements, such as schoolhouses, wharves, etc. We are anxious about the future, because in order to carry on public improvements we have not the means unless we borrow money, and we do not want to be continually borrowing.

Mr. LLOYD. Where do you get your school tax? I see in the last report of the governor a statement of \$999,996 for school tax.

Mr. SMITH. That is a tax of \$2 per capita on each man.

The CHAIRMAN. May I interrupt you gentlemen to suggest that it is fifteen minutes later than the hour at which we agreed to adjourn, and if you desire to adhere to the original programme, etc.

COMMITTEE ON THE TERRITORIES,  
*Friday, February 9, 1906.*

#### STATEMENT OF MR. EDWARD A. McINERNEY.

The CHAIRMAN. This is a hearing on House bill No. 14015.

Mr. McINERNEY. Mr. Chairman and gentlemen: I desire to lay before you briefly a few reasons on which we base our claim for this request. These ideas are my own, and possibly they are a little crude, but you, gentlemen, can judge as to that.

First. The large amount of revenue which the Federal Government exacts from our Territory annually, and for which we feel we have received no adequate return.

Second. We are noncontiguous territory, deprived of the advantages which the other Territories and States of the Union enjoy commercially, one with the other, by reason of their proximity to one another, and the facilities enjoyed of interstate commerce.

Third. This large sum of money being removed annually from our Territory creates a disturbance in our monetary circulation which is both demoralizing and discouraging.

I want to say in regard to that that the United States collects our duties in gold coin and then ships it out of the country, no matter

how large a sum in excess of \$200,000. We have nothing to take the place of that coin, and we are not in a position out there to get it in from any other source. It is simply lost to us. This creates a scarcity of ready cash and increases the rate of interest. In the large cities on the mainland where large sums are collected as duties they have national banks that absorb a large amount of this money and keep it in their respective States. We have a national bank out there, but under the regulations prescribed by law they are limited to investments of a certain kind, and up to the present time out of those \$6,000,000 that have been sent away from there they have been able to hold on to only \$200,000, the rest having gone out of the country.

The CHAIRMAN. What is the annual revenue collected?

Mr. McINERNEY. Approximately \$1,000,000. Sometimes it is a little more and sometimes it is a little less.

The CHAIRMAN. Why is it that a different plan is followed in relation to Federal money in the Territory than in other customs districts?

Mr. McINERNEY. I am not aware that any different plan is pursued.

The CHAIRMAN. I understood you to say that this money was packed up and shipped out of circulation there.

Mr. McINERNEY. Yes, sir. It is shipped to the subtreasury in San Francisco.

The CHAIRMAN. Well, then, in every customs district it is shipped out of circulation so far as that district is concerned?

Mr. McINERNEY. Except where the national banks are able to control it, and in large cities where they have large investments allowed by law. The money does not leave there.

Fourth. We have but one small voice in Congress and no vote, and in our isolated position we feel we are constantly in danger of being overlooked in the matter of appropriations. It is true we have received some consideration from Congress, for which we are grateful. It is also true we have as much representation as any other Territory, but there is no doubt in my mind that mainland Territories receive aid and support from the neighboring States which adjoin or surround them. We have no neighbors.

Fifth. In developing our Territory and educating our youth along lines that will make us a credit to the nation, and to occupy a position which we know you would like to see us attain, we are hampered by insufficient income to proceed as we should. Large sums of money have been spent from the current revenues of the Territory since annexation for educational purposes, and large sums have been borrowed and spent for the same purpose. Yet our youth are inadequately provided, and in many instances deprived of the educational opportunities which they should enjoy. In this connection it may be interesting to know that our Territory has expended for the support, maintenance, and construction of schools, from its own revenue and from borrowed funds, two and one-quarter millions of dollars since annexation, or approximately \$450,000 per annum, equivalent to 25 per cent of our annual revenues, based on the consolidated revenues of the Territory for the fiscal period ending June 30, 1905, \$2,354,813. The present value of school property is estimated at \$810,000, and it is further estimated by the department of instruction that \$788,500 would be required to place our schools on a substantial basis, used solely for the construction of new buildings and repairs of old ones. The Territory believes that where it is possible school

buildings should be an ornament to our cities, a source of pride to its citizens, and an inspiration to its youth.

I have here a photograph of the latest addition to our schoolhouses, constructed at a cost of \$15,742.85. It may be interesting to note in passing that 91 per cent of eligible children of school age are enrolled in the public schools, and that 10 per cent of our entire population are in our public schools, education being compulsory and absolutely free. That it costs the Territory an average of \$16.87 per annum to educate its youth and an average of \$51 per month to pay its teachers. Thirty per cent of our school-teachers have acquired their education at the normal school.

Sixth. Five years have passed since the Territory was taken over, and nothing yet has been done (other than the purchase of a few sites) to properly defend us against the possible attacks of enemies in time of war, and as we are to-day we are a standing menace to the entire Pacific coast.

Seventh. It may be safely asserted that up to the beginning of the war with Spain no Territory organized was ever a source of revenue to the General Government. No revenue was derived save internal-revenue taxes. The United States paid the expenses of the courts, the expenses of the legislature, and the salaries and expenses of the officials. Statistics will surely show that Hawaii has been the first Territory producing revenue for the United States.

Eighth. While it is true that the United States assumed by the joint resolution of annexation the payment of \$4,000,000 of the indebtedness of the Kingdom of Hawaii, yet the figures will show that this \$4,000,000 so assumed and paid has been returned to the United States through customs duties and internal-revenue taxes. Statistics will further show that the United States took unto itself lands formerly belonging to the Republic of Hawaii of the value of in the neighborhood of \$2,000,000, and an annual income since the adoption of the organic act in 1900 of more than \$1,000,000. Instead of being a burden to the General Government Hawaii, it will be seen, has been a source of revenue.

The CHAIRMAN. Is it your theory that the customs receipts ought to be treated as a contribution to the Federal Government by the customs district where they are received?

Mr. McINERNEY. I have always so understood it, sir.

Mr. SMITH. I think it would be more appropriate for us to say that we have paid rather than contributed. We formerly have had it for our own use and benefit, but now it has been paid over to the Federal Treasury.

Mr. POWERS. Have you not consumed substantially all the goods on which you have paid duties there?

Mr. McINERNEY. I will touch on that subject later.

Ninth. It is true that by the organic act Congress gave to the Territory possession and control and also the right of disposal of public lands within the Territory. It is likewise true that the Territory derives considerable revenue from the rental and disposition of these lands. It is also true that no other Territory was given similar power as to public lands. The difference, however, lies in the fact that in other Territories the public lands were the property of the United States, acquired by purchase, by discovery, or by conquest; while its ownership of the public lands within the Territory of

Hawaii was by virtue of the cession of the public lands to the United States by the Republic of Hawaii.

Tenth. The reports of the Treasury Department show Honolulu to be tenth of all the ports of the United States in receipt of customs dues—receipts averaging something over \$1,000,000. This amount is paid annually by the 150,000 people in the Territory. A very trifling percentage of the articles upon which duty is paid ever leaves the Territory. For the fiscal period ending June 30, 1905, all the duty-paid goods that we have sent out of the country amounted to \$42,946. In other words, we have consumed practically all the goods on which we have paid duty.

It is safe to say that no other Territory, and perhaps State, pays as customs dues anywhere near such a large amount proportionately.

Eleventh. Hawaii pays the expenses of its own legislature. Other Territories do not.

Twelfth. The buildings occupied by several United States officials were formerly the property of the Republic of Hawaii, and were acquired by the United States without cost. The principal buildings thus occupied are the custom-house and the post-office in Honolulu.

Thirteenth. Up to the 1st of August, 1905, the United States, without rent, occupied rooms in the Territorial buildings for the holding of the United States court and for the use of the officials of the Department of Justice.

Fourteenth. Ever since annexation the Territorial government has supplied water and electric light to all Federal offices free of charge.

Mr. HIGGINS. Do you mean by your statement just prior to that that Federal buildings have been constructed since annexation?

Mr. McINERNEY. No. There have been no Federal buildings constructed since annexation. The buildings now occupied by some of the United States officials were formerly the property of the Republic of Hawaii. The title of the public lands in Hawaii is vested in the United States.

Mr. POWERS. Does not the Territory own part of the lands in Hawaii yet?

Mr. McINERNEY. They have the use and disposition of them, subject to the control of the Federal Government.

Mr. HIGGINS. There are no Federal buildings that have been constructed since annexation?

Mr. McINERNEY. No, sir. They have built an immigration building and a small two-story frame structure for the shelter of the Navy and one or two minor houses. They are also at work on barracks for the troops, but since annexation the Federal offices have been in Territorial buildings.

Fifteenth. Lands of the value of \$2,000,000 have been by proclamation set apart for the use of the Federal Government, lands from which the Territory might have received much revenue, either by sale or rent.

The CHAIRMAN. What is the character of these lands that have been set aside for the use of the Federal Government?

Mr. McINERNEY. We have a list here, and I can read them off to you if you wish.

The CHAIRMAN. No; just give a general idea of them.

Mr. McINERNEY. They have taken pretty much all of our water front. They have opened a large reservation.

Mr. POWERS. What was this taken for?

Mr. McINERNY. It was taken for military occupation. They have taken that and also several other pieces of land in Honolulu.

The CHAIRMAN. How was this land taken by the Government?

Mr. McINERNY. It was set aside by proclamation.

Mr. POWERS. Was it owned by the Territorial government before that?

Mr. McINERNY. Yes, sir.

#### EXHIBIT A.

##### LANDS CEDED TO THE UNITED STATES GOVERNMENT FOR ARMY PURPOSES.

July 26, 1899:

- |  |              |
|--|--------------|
| 1. That tract of land containing 1,344 acres, more or less, situate about 3 miles northwest from Honolulu and described in boundary certificate of Crown land of Kahauiki..... | \$230,880.00 |
| 2. That portion of Waianae-uka, Oahu, containing 14,400 acres, more or less, situate about 19 miles from Honolulu and 9 miles from Pearl City.....                             | 360,000.00   |

December 30, 1899:

- |   |            |
|---|------------|
| 1. All of lot No. 1, designated as Emmes wharf site (Kaakaukui) at the head of Honolulu Harbor. Area, 42,050 square feet... | 42,000.00  |
| 2. All of Esplanade lots Nos. 4, 5, 6, 7, 8, 9, 10, and A. Area, 55,830 square feet.....                                    | 167,490.00 |
| 3. All of that land designated as the barracks lot. Area, 98,260 square feet.....   | 50,000.00  |

##### LANDS CEDED TO THE UNITED STATES GOVERNMENT FOR NAVAL PURPOSES.

November 10, 1899:

- |   |           |
|---|-----------|
| 1. Esplanade lots Nos. 94, 95, 96, 97, 98, and 99. Area, 30,255 square feet.....        | 45,382.50 |
| 2. Esplanade lots Nos. 63, 64, 65, 66, 67, and 68. Area, 30,000 square feet.....        | 45,000.00 |
| 3. Lot at east corner of Mililani and Halekauwila streets. Area, 5,728 square feet..... | 8,592.00  |
| 4. A plat of land in Kewalo-uka (hospital). Area, 20 acres, more or less.....           | 50,000.00 |
| 5. Lots on Punchbowl slope Nos. 608, 609, and 610. Area, 83,588 square feet.....        | 12,538.00 |
| 6. Portion of reef of Kaakaukui. Area, 76.25 acres.....                                 | 76,250.00 |

November 2, 1898:

- |  |            |
|--|------------|
| 1. The water front lying between the Bishop estate and the line of Richards street, including the site of prospective wharves, slips, and their approaches. Area, 252,700 square feet.....   | 100,000.00 |
| 2. The blocks of land embracing lots Nos. 86 to 91. Area, 38,120 square feet. Lots 100 to 131, including Mililani street to the intersection of Halekauwila street and the government water lots lying between the Bishop estate and Punchbowl and Allen streets. Area, 283,000 square feet..... | 318,750.00 |

##### LANDS RESERVED BY PROCLAMATION OF GOVERNOR.

March 25, 1901:

- |  |            |
|--|------------|
| 1. Buildings and lands for customs purposes, Honolulu. Area, 40,000 square feet..... | 120,000.00 |
| 2. Buildings and lands for customs purposes, Kahului. Area, 3,750 square feet.....   | 10,000.00  |

June 18, 1903:

- |   |  |
|---|--|
| 1. Addition to Kahului custom-house lot. Area, 3,750 square feet..... |  |
|---|--|

June 10, 1901:

- |  |           |
|--|-----------|
| 1. Land for the purpose of establishing and maintaining an agricultural experimental station, Kewalo-uka. Area, 202 acres, more or less..... | 51,000.00 |
|--|-----------|

August 16, 1901:

- |  |  |
|--|--|
| 1. Experimental station, Kewalo-uka. Area, 2.23 acres..... |  |
|--|--|



May 4, 1903:

1. Post-office lot, etc., Honolulu. Area, 4,560.09 square feet..... \$30,000.00

May 20, 1904:

1. Post-office lot and buildings, Honolulu. Area, 6,628 square feet..... 45,000.00

June 28, 1905:

1. Hospital station and laboratory on the island of Molokai.  
Area, 640 acres..... 1,200.00

Total..... 1,784,082.50

The CHAIRMAN. How do you fix that valuation?

Mr. McINERNY. The valuation is the tax valuation.

The CHAIRMAN. The land had been taxed before the Territorial government absorbed it?

Mr. McINERNY. This land was taken on July 6, 1899.

The CHAIRMAN. And this land was taxed for the benefit of the Territory before the Federal Government had absorbed it for Territorial purposes?

Mr. McINERNY. The Government does not pay taxes on property used for its own purposes.

The CHAIRMAN. No; I said for Territorial purposes.

Mr. SMITH. I think that those valuations are based partly on valuations of adjoining and adjacent property of a similar kind.

The CHAIRMAN. Have not those lands been utilized for any purpose?

Mr. SMITH. Yes; the Navy and War Departments have been making use of the portion set aside for them.

The CHAIRMAN. Was not any use made of it before?

Mr. GALT. A good many of those lands were lands leased by the government to individuals or corporations.

The CHAIRMAN. Leased by the Territorial government, so that it was deriving an income from them?

Mr. GALT. Yes, sir. The Territorial government was deriving an income from these leases.

The CHAIRMAN. The Territorial government was receiving benefit from those lands before they were absorbed by the Federal Government?

Mr. GALT. Yes, sir.

Mr. REYNOLDS. Have you an estimate of the amount of revenue those lands have yielded to the Territorial government?

The CHAIRMAN. Perhaps that had better be incorporated in your statement, Mr. McInerny, when you extend your remarks in the record.

Mr. McINERNY. Very well, sir.

The CHAIRMAN. What benefit, if any, will the Territorial government hereafter derive from this segregation of lands for Federal purposes?

Mr. McINERNY. That is problematical.

The CHAIRMAN. Does it not derive any as yet?

Mr. McINERNY. No, sir. I quoted it merely to show what the United States Government has been getting out of that Territory since its annexation.

Mr. HIGGINS. The only revenue the Territorial government got was from these lands?

Mr. McINERNY. No; these lands were all rented.

Mr. HIGGINS. For what purpose?

Mr. McINERNY. The Honolulu lands were rented out as a ranch for cattle. I do not know what the income was from that. For the water front they got the shipping taxes. Since these lands have been settled

the Territorial government has always gotten some income from them.

Mr. HIGGINS. I would like to have you include that in your remarks.

Mr. McINERNY. All right, sir. I will do that.

See Exhibit B.

## EXHIBIT B.

	Per annum.
July 26, 1899:	
Item 1 (see Exhibit A), annual rental.....	\$800
Item 2 (see Exhibit A).....	500
December 30, 1899:	
Item 2 (see Exhibit A).....	1,321
November 10, 1899:	
Item 1 (see Exhibit A).....	1,800
Item 2 (see Exhibit A).....	2,160

The remainder of properties mentioned in Exhibit A were not under lease at time of proclamation.

This is to the best of my knowledge and belief.

E. A. McINERNY.

Seventeenth. Honolulu is a calling point for nearly all of the trans-Pacific steamships, carrying annually many thousands of passengers from all over the world. Many of these passengers are officials or citizens of high standing in foreign countries visiting the United States for the first time by way of Australia or the Orient. In so far as the Government of the United States is concerned, the first impression which such persons must gain at Honolulu is anything but favorable. The custom-house, through the medium of which is collected for the United States over \$1,000,000 yearly, resembles more in appearance an antiquated warehouse than an important public building of a great nation. Nor is the appearance of the post-office much better; and if the foreigner become inquisitive and endeavor to ascertain why the War and Navy Departments of the United States and foreign governments treat the Hawaiian Islands as a point of much strategic importance, and should wish to ascertain how in their present condition it would be of importance in case of war, he will find a magnificent body of water some 10 miles from Honolulu, which, with the expenditure of a few millions of dollars, would become one of the finest harbors in the world for naval purposes, but which, owing to the failure of the Federal Government to make appropriations, is at present absolutely worthless.

Taken altogether, these foreign officials or citizens do not leave Honolulu for San Francisco with an exalted sense of the greatness of the United States of America.

And lastly, gentlemen, and I almost hesitate to speak of it, if it will interest you to know where some of our revenue goes, let me tell you. Hawaii supports and maintains 855 unfortunate souls cursed with the incurable disease; feeds them, clothes them, and houses them at an expense for the biennial period ending June 30, 1907, of \$394,265, equivalent to nearly 9 per cent of our annual revenues.

The CHAIRMAN. Do you get no help from the Federal Government?

Mr. McINERNY. None whatever. The Federal Government has appropriated \$150,000 for a so-called "leprosorium" for the study of leprosy; but we have to care for these persons. We do not ask you to take care of them. I am merely quoting this to show what we have to care for down there.

Mr. POWERS. Is the number of lepers increasing?

Mr. McINERNY. They do not seem to increase or decrease.

The CHAIRMAN. Please tell the committee just where your lepers are.

Mr. McINERNY. They are on the island of Molokai. This is the island of Molokai [indicating on map on wall]. There is a leper settlement there known as Kalaupapa.

The CHAIRMAN. How much territory is covered by that settlement?

Mr. W. O. SMITH. It is about 3 miles long and 2 miles wide in its widest part. It is at the foot of a high precipice, and is bounded by this precipice on one side and by the ocean on the other.

Mr. LLOYD. How much money did you say went that way?

Mr. McINERNY. I was not able to obtain the amounts for any previous period, so I took the estimates for the coming period ending June 30, 1907, which is \$394,265.

Mr. KLEPPER. How many lepers are there in the colony?

Mr. McINERNY. Eight hundred and fifty-five.

Mr. WEBB. Do you mean you spend \$394,265 for that purpose annually?

Mr. McINERNY. No, sir; every two years. Every physician is obliged to report a case that he is satisfied is leprosy. In case of failure on his part to do so his license is taken away from him.

The CHAIRMAN. Is the number of lepers decreasing?

Mr. McINERNY. I think it is about stationary.

Mr. POWERS. You find new cases as often as others die.

The CHAIRMAN. Do these people come from your own population?

Mr. McINERNY. They are mostly native Hawaiians. There are a few whites, Chinese, and Japanese, but a very small number. They are mostly the aborigines of the soil.

Mr. LLOYD. And this number is about the same as it was before you were annexed to the United States.

Mr. McINERNY. Possibly a little less.

The CHAIRMAN. This disease has not always been peculiar to these islands, has it.

Mr. McINERNY. As long as my memory goes back.

The CHAIRMAN. I meant it as an historical inquiry.

Mr. McINERNY. Oh, no; sir. It was brought over by some of the early explorers.

The CHAIRMAN. It came as a product of other troubles of civilization?

Mr. McINERNY. Yes, sir. It is said to be the product of other troubles.

The CHAIRMAN. Are there any other gentlemen who would like to make inquiries of Mr. McInerny?

Mr. LLOYD. What is the general condition of your business interests now as compared with what they were five years ago?

Mr. McINERNY. The condition at the present time is about the same. We had quite a boom shortly after annexation, but it died out.

Mr. LLOYD. When did you have this boom?

Mr. McINERNY. In 1901 and 1902. Things were quite active then.

Mr. LLOYD. Is this statement of the governor correct, that the total Hawaiian trade in 1897 was \$131 per capita; in 1898, \$164; in 1900, at the time of annexation, \$228; and that in 1904 it had increased to \$273 per capita?

Mr. McINERNY. What was his statement? I did not quite catch it.

Mr. LLOYD. The per capita of trade. That is, if the trade was divided among the individuals, there would be a per capita of trade of \$273.20.

Mr. McINERNEY. He refers to the total from exports and imports. There is another way of arriving at these figures. Our exports have steadily increased.

Mr. LLOYD. Your imports have likewise increased, have they not?

Mr. McINERNEY. Our imports from the United States for 1904 amounted to \$11,000,000. Our total imports for that year were \$14,000,000, and \$11,000,000 of this was from the United States. I have a list here which will show you exactly what they were. Sugar forms 96 per cent of the export trade of the Territory.

Mr. LLOYD. The governor makes this statement:

A remarkable exhibit is made by comparing the trade growth per capita of population in Hawaii, which shows an increase from \$131 up to \$247, under annexation, for every man, woman, and child in the country—a total per capita of trade that is more than eight times greater than that of the trade per capita for the entire United States.

Mr. McINERNEY. I would have to go into that and study it. I suppose the governor is correct.

The CHAIRMAN. He speaks of trade per capita. What does he mean by that—internal commerce?

Mr. LLOYD. No; he means the export and import trade per capita.

Mr. McCLELLAN. In regard to this question of trade per capita, it must be taken into account that there is no single State or Territory in the United States that so largely raises one product and trades it to the world for everything else that it needs as does Hawaii. We are entirely in a class by ourselves in that respect. It is a great misfortune. It arises from the fact that sugar is the thing that can be produced much more profitably than anything else, so that commercially it takes the place of everything else. It is therefore necessary for us to export this and import clothing, harness, and everything of that kind that we need. The result is that our trade per capita is very much larger than that of the United States.

Mr. LLOYD. Because of the fact that you are doing a great deal more of one kind of business, and are producing more sugar—

Mr. McCLELLAN. You are thoroughly familiar with the fact that the internal trade of the United States vastly exceeds anything like the total of its exports and imports, as large as they are.

Mr. CAPRON. Our home market is 94 per cent of our business.

Mr. McCLELLAN. Yes, sir. Instead of that being the case with us, however, it is the reverse; it is the other way. We send out our home product and get back something in its place.

The CHAIRMAN. You do not buy or sell among yourselves. You produce one thing, and with the money derived therefrom you get back things of general consumption; so that your statement, taken on its face, is very misleading as to the amount of trade carried on within the boundaries of the islands, as compared within your own State, Mr. Lloyd, or with that of any State in the Union.

Mr. LLOYD. I was trying to get at the point. Thus far you have apparently attempted to show that conditions in Hawaii are worse now than they were at the time of annexation. I only mentioned this to let you explain what you have to say about the governor's statement as to the increase in the volume of business.

Mr. W. O. SMITH. Those two things are not necessarily incompatible. A great feeling of hopefulness sprang up among our people because of the annexation, and tremendous enterprises were undertaken there, and some of those enterprises have been carried on at a practically continuous loss from that time until this, but they have tried to keep them going concerns rather than have them fail. That does not prove that it has been profitable, but the contrary. The volume of business has undoubtedly been increasing, as the governor's report shows.

Mr. GALT. May I quote from the governor's report of 1905, on the first page?

During the year important changes have occurred, some of which may mean that the year will stand out as a turning point in the progress of the Territory. It, however, can not be said to have been a year of great prosperity, but rather of recuperation. From the volume and value of exports, which are shown later in this report, it would appear to have been, under ordinary circumstances, a fairly prosperous year, yet the previous low price of sugar had, under existing conditions, brought losses to many of the sugar estates, burdening them with obligations, and the returns this year have been applied to the liquidation of foreign credits. Thus conditions have not responded in proportion to that which the figures would indicate.

I think that applies pertinently to this question.

Mr. W. O. SMITH. We are not here claiming that our commercial affairs are in worse condition than before, but we are speaking of the financial condition of the Territorial government by reason of the loss of this one-third of its revenue. The government in its financial condition is in a worse state than it was before annexation for that reason.

Mr. McINERNEY. I would like to quote some figures I have here. They might have some bearing on the information you were trying to get.

Mr. LLOYD. In this connection, in answer to the statement that has just been made, will you state to the committee what was the indebtedness of the Territory at the time of annexation, and what is its indebtedness to-day?

Mr. McINERNEY. Yes, sir. It has no floating debt to-day. It has an outstanding bonded debt of \$3,124,000 for moneys borrowed.

Mr. LLOYD. What was its indebtedness at the time of annexation?

Mr. McINERNEY. Four million dollars bonded debt, held in London; \$1,000,000 that was borrowed by the Republic of Hawaii, which the United States did not assume when they annexed us. They paid part of the bonded debt off, but not all of it.

Mr. LLOYD. It left an indebtedness of nearly \$1,000,000.

Mr. McINERNEY. Approximately; yes.

The CHAIRMAN. You were about to recite these figures, I believe.

Mr. McINERNEY. I have them here, sir. (See Exhibit C.)

#### EXHIBIT C.

#### TERRITORY OF HAWAII, OFFICE OF THE TREASURER, *Honolulu, Oahu, October 6, 1905.*

1. Principal office in Honolulu.

2. Bonds:

Republic of Hawaii 5 per cent bonds .....	\$209, 000
Loan act approved June 13, 1896; bonds redeemable in five years and payable in twenty years from July 1, 1896; interest payable semiannually, July 1 and January 1—	
Total authorized, \$2,000,000.	
Total issued, \$1,201,000.	

## 2. Bonds—Continued.

Fire claims 4 per cent bonds .....	\$315,000
Act of Congress United States approved January 26, 1903; bonds redeemable in five years and payable in fifteen years from May 1, 1903; interest payable semiannually, May 1 and November 1—	
Total authorized, \$326,000.	
Total issued, \$315,000.	
Public improvement 4½ bonds, series 1903-4.....	1,000,000
Loan act, approved April 25, 1903, and approved by the President of the United States; bonds redeemable in five years and payable in fifteen years from October 1, 1903, interest payable semiannually, October 1 and April 1—	
Total authorized, see (a).	
Public improvement 4½ bonds, series 1904-5.....	1,000,000
Loan act approved April 25, 1903, and approved by the President of the United States; bonds redeemable in five years and payable in fifteen years from January 2, 1905; interest payable semiannually, January 2 and July 2—	
Total authorized, see (a).	
Refunding 4 per cent bonds of 1905.....	600,000
Act 55, session laws, 1905, approved April 25, 1905, and approved by the President of the United States; bonds redeemable in five years and payable in fifteen years from October 4, 1905; interest payable semiannually, April 4 and October 4—	
Total authorized, \$800,000.	
Total issued, \$600,000.	
(a) Total authorized issue under loan act approved April 25, 1903 (to be approved by the President of the United States), \$5,000,000.	
Total outstanding (all \$1,000 bonds) .....	3,124,000

The payment of principal and interest constitute a charge upon the consolidated revenues of the Territory.

3. Bonds of the Republic of Hawaii, act of June 15, 1896, signed by the minister of finance and the registrar of public accounts. Fire claims 4 per cent bonds, signed by the governor and the secretary of the Territory. Public improvement 4½ bonds, series 1903-4; public improvement 4½ bonds, series 1904-5; refunding 4 per cent bonds of 1905; signed by the treasurer and the registrar of public accounts.

4. Principal and interest, payable in United States gold coin, or its equivalent, at its present standard of weight and fineness.

4a. Principal and interest of the Republic of Hawaii 5 per cent bonds, payable in Honolulu. By arrangement, interest also payable in San Francisco by the Bank of California. Principal and interest of fire claims 4 per cent bonds; public improvement 4½ bonds, series 1903-4, and public improvement 4½ bonds, series 1904-5, payable in Honolulu and in New York by Wells Fargo & Co.'s Bank. Principal and interest of refunding 4 per cent bonds of 1905, payable in Honolulu and in New York by the United States Mortgage and Trust Company.

The bonded debt at the time of annexation was \$4,000,000 in bonds that we speak of; and the loan act approved June 13, 1896, authorized a loan of \$2,000,000, of which \$1,201,000 was issued. We owed that when the United States annexed us. Then came the fire-claim bonds, which was the act of Congress approved on the 26th of January, 1903, for \$315,000. The next was public-improvement bonds of 4½ per cent, which were also approved by the President of the United States in 1903, for \$1,000,000.

The CHAIRMAN. Please describe those fire-claim bonds a little more clearly.

Mr. POWERS. Those were authorized in this committee.

The CHAIRMAN. But I want to get it in the record.

Mr. McINERNEY. The bonds were known as the "fire-claim bonds," and were for \$315,000.

Mr. LLOYD. What was the occasion of the bonds?

Mr. MCINERNEY. We had a public disaster there in a year of plague. It seemed impossible to cope with the plague, and the final resort was to fire. We had to burn down buildings in which these plague cases were occurring. One morning while this process was going on a strong wind sprang up and started a great conflagration, which destroyed the whole of that section of Honolulu known as Chinatown. We took these homeless people in and cared for them, which ate up a reserve of nearly \$1,000,000 which the treasurer of the Republic of Hawaii had saved for a "rainy day." I was employed in his office as an assistant. He foresaw that we would be in trouble when our customs receipts would be taken away with annexation. This money was used up in caring and providing for these people. And then it became necessary to pay for the damages which had been done, and we were unable to do it. We represented to Congress that the action in burning the houses was for the benefit of the Pacific coast people, and Congress generously approved this act and issued \$315,000 of fire-claim bonds, at 4 per cent, to help to pay for the property we had lost.

Mr. LLOYD. And also state what the United States did in addition. You have not stated that. They appropriated \$1,000,000 out of the Treasury of the United States.

Mr. MCINERNEY. They did this. Of course we have to pay for these bonds.

Mr. LLOYD. But you did not pay the \$1,000,000?

Mr. INERNEY. No, sir; we paid but \$315,000.

Mr. WEBB. When was this \$1,000,000 appropriated?

Mr. MCINERNEY. The first issue was approved by the President of the United States, redeemable in five and payable in fifteen years from the 1st of October, 1903, for \$1,000,000 at 4 per cent. Under that same transaction there was issued another \$1,000,000, which was also approved by the President of the United States. Now, of the \$1,201,000 that we owed when we were taken over we have \$809,000 of it yet to meet. The difference between \$809,000 and \$1,201,000 has been paid. We have cash in the treasury to pay for \$209,000 more, and we have recently refunded \$600,000 of that bonded debt by act of the session laws of 1905, approved by the President of the United States. It makes our bonded indebtedness to date \$3,124,000. This is right up to date, and not up to the fiscal period of June 30, 1905.

The CHAIRMAN. Is there any gentleman of the committee who desires to submit any further inquiries?

Mr. W. O. SMITH. Colonel Hepburn has been out to Hawaii and is very conversant with our conditions there, and we have requested him to appear before this committee, if he would be so kind as to do so, and give his views as to the propriety of this measure.

The CHAIRMAN. The committee will be very glad to hear Mr. Hepburn.

#### **STATEMENT OF HON. W. P. HEPBURN, A REPRESENTATIVE FROM THE STATE OF IOWA.**

Mr. HEPBURN. Mr. Chairman and gentlemen of the committee, when Mr. Smith and these other gentlemen from Honolulu asked me if I would come before this committee and say a few words in regard to the bill before you and state my views on the proposed legislation I said that I would come with pleasure.

I spent nearly two months in Hawaii last summer and had an opportunity to observe the conditions there. These islands are to my mind of exceeding value to the United States. I do not know of any other area under our flag, aside from the great centers of population, that is so valuable or desirable to this country. I think the possession of these islands is a source of great protection to the United States from assaults that might be intended to be delivered from the region beyond. No modern war vessels can ever reach our shores without first stopping at Honolulu—that is to say, they can not reach the Pacific coast in a condition to be harmful—as long as we hold those islands. Any warlike demonstration toward us must have opportunity for replenishing the coal bunkers somewhere between the Orient and the ports of the Pacific, and there is no place available except these islands. So I regard this territory as exceedingly advantageous to us, and the acquisition of that Territory as perhaps the richest, save one, that we have secured since the formation of the Government.

The people of the islands are, as a rule, poor. The Hawaiians are a pleasure-loving, kindly, amiable people, but without any great thrift. I was told that there were probably not twenty Hawaiians that were worth \$50,000 each. The great mass of the people do not even own their own homes.

Mr. LLOYD. Do you refer to the native Hawaiians?

Mr. HEPBURN. Yes; numbering perhaps 35,000 people. I was told that there are about 20,000 Chinese, 60,000 Japanese, and 20,000 Portuguese on the island. They have six to eight thousand white people, or people who have a mixture of white blood. Some of the property is owned by nonresidents, and the people of those islands suffer somewhat, I think, from the same causes from which the people of Ireland have suffered—namely, absentee landlordism, or nonresident property owners.

The natives had never been accustomed to taxation until the islands became a part of the United States. They have a population of 885 lepers, which are a source of constant expense to them, costing something over \$300,000 every year. They are a very affectionate people, and this unfortunate class of the community are to them a source of special solicitude. I have been told by people who knew the facts that, notwithstanding the peril that might be encountered, very many of the natives would be glad if these unfortunates could be taken care of in their own homes. They object to the isolation of this class even for their own security.

The islands are separated, and as there is difficult navigation between them, it is essential that there should be separate governments for the different islands because of their isolation. All of these conditions are much more expensive than would be the case if the population could be compacted upon one island. I think, and I am very positive about it, that we should show those people the utmost liberality and kindness.

Mr. LLOYD. In connection with the question of leprosy, do you not think it is the duty of the United States, since we have adopted the policy of making appropriations for the purpose of investigating leprosy, and having established a leprosarium, which it is proposed to keep up in the Hawaiian Islands, that we should make appropriation for the care of those patients, especially as we are to undertake to learn all about the disease?



Mr. HEPBURN. I think they have been wise in the location of this leprosarium. It seems to me that it must have been created for such a purpose. It is situated on a promontory jutting out into the sea, and the entire area of which for ten months in the year is swept by the north-east trade winds. One could not imagine any place more healthful. It has perhaps 10,000 acres, separated by a wall 1,000 feet high from the sea level, and it has the sea on the other side, thus isolating this section. This place is very well adapted to the uses to which it is put. It has abundance of pure water, and the land is susceptible of cultivation. Many of the cottages are attractive. I was told that but two persons had ever scaled that natural wall unassisted.

The people of the islands have been very friendly to us. When we had our difficulty with Spain, instead of establishing their neutrality and putting us to inconvenience, they opened up their ports to us and took our side of the question. We were permitted to use their ports. We had no such right anywhere else in the world.

I think that this proposition of segregating a portion of their revenues, subject to appropriation by Congress, not to appropriation by the Territorial government, for their particular use, would be beneficial to them and would only be a just measure, to say nothing of the reciprocal kindness which the people have manifested toward us. It is a comparatively small matter to us, but great to them. It would be a matter of encouragement to them, and the moral effect would be most beneficial. Without wishing to take up your time I want to urge, as far as I may with propriety, that affirmative action be taken on this proposition.

Before returning my thanks to you for your kindness in hearing me, I want to say that every one of you would enjoy a visit to that country, and every one of you would affirm the views which I have expressed if you could pay a visit to Hawaii.

I think the city of Honolulu is the most beautiful spot upon the face of the earth—certainly the most beautiful I ever saw or read about. It comes near being the delightful Elysium of which many of you doubtless have dreamed. It has a most delightful climate. I was there in July and did not suffer one uncomfortable day. The city is peculiarly situated and lies at the foot of a mountain, with a direction south-east and northwest, with uninterrupted trade winds that blow nine or ten months in the year. The site of the city is a tract of land probably a mile wide by 6 or 8 miles long. There are two valleys, and through these valleys the trade winds pour at all seasons of the year except two months. You can get temperature of any kind desired that is very delightful and secure any degree of heat that you want. In the middle is a place called the "Punch Bowl," and by going to the right or left you can get the sort of temperature that delights you most. I do think that you could do nothing more meritorious than to segregate a considerable portion of the revenues and let it be contributed to those specific uses.

Mr. CAPRON. Would you care to express any opinion in regard to the desirability of the United States fortifying the harbor in Honolulu to the extent that you in the beginning of your remarks outlined? Would it not be a great advantage to the United States as a midway coaling station?

Mr. HEPBURN. I had assumed that the United States, with that prudence which characterizes all of our administrations, would take upon

themselves to fortify any place necessary on the islands. We have there, as you know, Pearl Harbor, a most beautiful sheet of water. There are 13 miles of wharfage with a depth of water from 30 to 40 feet right up to the shore in Pearl Harbor. It is easily defensible. It is so situated with the mainland on either side as to make it, with slight expense, impregnable, as an engineer officer assured me when I happened to be with a number of them on an excursion. At the entrance of the harbor they have a series of estuaries or arms of the sea that furnish this wharfage on nearly a level.

The land immediately around the harbor is only a few feet above high tide, and is in every way desirable. An enlargement of the harbor is inexpensive, owing to a peculiar formation of coral that lies upon the surface, being only a few feet thick, and after being broken it renders excavation an easy matter.

We have there a quarantine station that is ideal. It is right opposite one of these valleys, and I found it to be one of the most delightful places that I was ever in. It is capable of holding 2,500 persons at one time, and with an expense of \$50,000 in addition to the appropriations that have been made in the way of filling the harbor, the sea wall on the inside would give us 40 or 50 acres of ground, which, with the rapid growth of vegetation in that country, could be made one of the most admirable of places. It is right in the line of one of these valleys where the trade winds blow. It is marvelously well adapted to the purposes of a quarantine station.

#### AFTER RECESS.

The committee reassembled at 2 o'clock p. m., Hon. Edward L. Hamilton in the chair.

#### STATEMENT OF HON. J. KALANIÁNAOLE.

Mr. KALANIÁNAOLE. Gentlemen of the committee, the bill under consideration is for the purpose of enacting legislation for Hawaii, in accordance with the recommendation of the President in his last annual message. It is in substance that three-fourths of the Federal revenues of the Territory of Hawaii shall be set apart as a special fund in the Treasury, not for the current expenses of the Territory of Hawaii, but to be specifically appropriated by Congress for public works within that Territory. A statement furnished me by the Secretary of the Treasury shows that the aggregate Federal revenues from the Territory of Hawaii, from June 14, 1900, to June 30, 1905, were \$6,323,462.32, and that the aggregate Federal expenses in Hawaii, exclusive of special appropriations, during the same period were \$496,492.93, leaving a net difference of almost \$6,000,000 during that period.

Under the monarchy and the Republic of Hawaii these revenues were an important dependence for carrying on the expenses of government. Since annexation the necessity of increased local taxation to replace these amounts has resulted in a Territorial tax, which amounts to \$15.20 per capita. The payment to the Federal Treasury, as above, amounts to \$7.90 per capita, making a total of \$23.10 per annum of direct taxation for every man, woman, and child within the Territory. In spite of this heavy burden of local taxation, and even though the revenues

of Porto Rico and the Philippines are given to them for local governmental expenses, we are not here asking that such action be taken for Hawaii; we are only asking that of the relatively large sum which our small population pays to the Federal Treasury three-fourths of that amount shall be used for needed public works in the islands. In other words, we are asking that we be permitted to that extent to pay for our own Federal and public improvements.

The legitimate need for Federal work is greater in Hawaii than in the great majority of the States of the Union. Our isolated and highly important strategic position makes it highly important that extensive fortifications should be erected there to maintain the United States during time of war at this key of the Pacific.

The fact, also, that our harbors are at the very crossroads of international shipping between the Occident and the Orient makes it necessary that commodious harbors should be provided, and in the same connection it is necessary that first-class light-houses should be established and maintained. More than a quarter of a century ago the United States obtained the sovereignty of Pearl Harbor for the purpose of establishing a naval station there. Land for this station has already been acquired; but from five to ten millions of dollars will be necessary to equip a naval base in that splendid land-locked harbor.

Federal buildings are also needed at Honolulu and at Hilo. It will be observed that most of these Federal works mentioned are of the sort that will contribute most directly to the benefit of the military defense and the international shipping of the nation as a whole, and are only secondarily for the benefit of the Territory of Hawaii.

A special recommendation has been made by the President that such of these funds as Congress may deem best may be expended for educational buildings within the Territory. The cosmopolitan population of the Hawaiian Islands and the number of foreigners residing there makes our educational problem one of the most difficult of any part of the Union. The relatively small proportion of Anglo-Saxon population has a heavy burden to carry in maintaining the schools for the entire population. In view of this fact the President has recommended that a part of these funds may, upon direct appropriation of Congress, be used to construct additional school buildings in which schools are to be maintained at the expense of the Territory itself.

It was, as you know, the opinion of a great many people then living in Hawaii that it was a great mistake for that government to yield its sovereignty to the United States; but when that step was taken it was entered into in good faith by our people, and, although annexation has been an undoubted financial loss to the islands, our people are still endeavoring loyally to adopt American institutions and forms of government. We are loth to believe, however, that Congress has at any time desired that annexation should be in itself a burden to Hawaii; we do not believe that the Government of the United States took over the sovereignty of Hawaii for the purpose of making money out of it, any more than that we have taken Porto Rico or the Philippines for that purpose.

The bill provides that only 75 per cent of the revenues from Hawaii be covered into this special fund; the 25 per cent of this collection will be Hawaii's contribution to the general expenses of the Government. Nor are we asking that the control and expenditure of these funds be given to the Territorial officials; it is to remain absolutely in the hands

of Congress, with the unlimited power in that body to say in what proportion and for what object that fund shall be expended from year to year.

If it be said that by such action Hawaii would then make but an insignificant contribution toward the general expenses of the Government, we reply that such is not in fact the case.

The Territory of Hawaii is the purchaser of goods from the mainland of the United States to an amount of nearly twelve millions of dollars annually. A considerable portion of these goods consists of imports, upon which import duties have been paid by New York, Chicago, and San Francisco importing houses; so that, in fact, Hawaii is making her indirect payments into the Treasury just the same as any of the inland States, and is doing this in addition to the million and a quarter which she pays directly in Federal revenues.

The experience of the past five years has shown that it is extremely difficult in the pressure of Congressional action to secure for Hawaii her due share of the annual appropriations, and we are in substance only asking that by this one enactment the Territory of Hawaii shall be allowed to pay for her own Federal improvements, or to make such provisions as will insure to her the construction of such Federal and public works as her own revenue payments are able to provide.

MR. W. O. SMITH. Mr. Chairman, the next gentleman to be heard is Mr. M. P. Robinson, who says he does not wish to occupy much of your time.

The CHAIRMAN. We shall be very glad to hear you, Mr. Robinson.

#### STATEMENT OF MR. M. P. ROBINSON.

MR. ROBINSON. Mr. Chairman and members, I have not gone into statistical figures, but I have put down here what I have to say in a more general way. I will not consume very much of your time.

Some reasons why the Fifty-ninth Congress, United States of America, is asked by the Territory of Hawaii, through its Delegate Kalaniana'ole, by bill No. 14015, introduced February 5, 1906:

Hawaii, during its independent state, was always a well-organized government, earnestly endeavoring to exist in its independence and striving to carry on its affairs economically and within its revenues. It was dependent to a large extent on the revenue derived from its customs duties to maintain and pay the expenses of the different government bureaus. The fundamental form and principle of government was carried on as nearly as possible on American principles and ideals; even in the old days of the monarchy this same spirit of Americanism permeated and prevailed in everything undertaken during that period.

To demonstrate more fully this spirit which then predominated, I refer to the time when King David Kalakaua, the deceased uncle of our Delegate to this Congress, visited this capital to induce this Government to enter into closer trade relations, and succeeded in what then was considered the phenomenal result in securing the reciprocity treaty between the two Governments. After years of enjoyment in witnessing the good resulting from his efforts, does it not seem that the hand of destiny guided him again to these shores to further cement the friendship, the Aloha of the two nations in his death?

I may here say that the Hawaiian people can not forget the great respect and courtesy shown by the United States Government, and the

manner in which they were shown, in the returning of the body of the deceased King Kalakaua. It was a memorable event, which can never be forgotten by the Hawaiian people.

The American-Spanish war, coming as it did so suddenly, found us so imbued with the sympathy and nervous anxiety to become absorbed in the great paternal nation by annexation has become very apparent since. The customs and internal revenues have been paid over as our contribution to the Federal Treasury, leaving us to support the running expenses of the Territorial government from moneys derived from personal taxes, real estate, income taxes, etc. Since annexation the Territory has been compelled to sell its bonds under legislative authorization for the necessary educational, permanent, and public improvements. We have continually hoped and never doubted that the Federal Government in its wisdom and at the proper time would rectify this most serious drain of revenue derived from customs duties. Will not the result, if the Federal Government allows, say, three-fourths of this contribution of Hawaii to be appropriated and used for Federal buildings, harbor improvements, and other public works, educational school buildings, etc., be a good investment and help and assist to build up a greater American community than at present exists. Hawaii has shown her worth and shown what she can do, and asks that she may be allowed to use some portion of her dowry that will be creditable, not only to herself, but to the whole United States.

It is very apparent that the United States of America is to be the greatest commercial nation in the world, and is fast fulfilling her destiny as such, which the All-Wise Creator planned she should become. She has extended her sphere of influence still farther west, from the Pacific coast over the Pacific Ocean till the shores of the Far East are reached, and I may say also that the All-Wise Creator in his wisdom placed the annexed Territory of Hawaii just where it is for the purpose and in furtherance of the fulfillment of her destiny.

In view of the fact that the Federal Government has undertaken the completion of the Panama Canal under pressure of the great national commercial spirit developing, it is right in the line of wisdom that their outpost island Territory of Hawaii should now be preparing herself also to improve her harbor facilities and public buildings and other necessary improvements, in order to be ready to receive the vast amount of trade and tonnage that surely is bound to make her a port of call, both going and coming, between the Atlantic and Pacific coasts and the Far East, so that she will not be found wanting when that epoch arrives.

That is all I have to say, Mr. Chairman. I thank you.

#### **STATEMENT OF MR. J. B. GALT, TREASURER HAWAIIAN TRUST COMPANY, OF HONOLULU.**

Mr. GALT. Mr. Chairman and gentlemen, I am connected with the Hawaiian Trust Company, of Honolulu, as treasurer. I just wish to touch on and emphasize a few points that have already been brought out, and also to answer more fully a few questions which have been asked by different members during the sessions—principally day before yesterday.

Before touching on these points I would like to impress upon your minds the fact that in many of the arguments and statements which

have been made the impression may have been given that we are in an extremely bad condition there, that we are almost insolvent and on our last legs. That is not true. At the same time we do feel in our hearts and in our judgment that our position is now such that we are in need of assistance. We feel that we are asking for what is fair and just. At the same time if we do not get it we have no idea of throwing up our hands. We are going to stand up just as straight as ever and go back and fight just as hard to keep up to as high a standard as we possibly can.

In answer to a question day before yesterday a statement was made, I think inadvertently, that our sugar corporations owned most of the land under sugar cultivation. This is not so. It is far from being so. The great majority of the lands under sugar cultivation are owned in fee by the government, by estates, and by individuals.

Take for instance the plantations right on the island of Oahu, on which Honolulu is located. The Ewa plantation, which is our banner plantation, produces the largest number of tons of sugar to the acre of any plantation we have in the islands, and owing to that fact has given a wrong impression on the outside that all our plantations produce as much. Ewa produces between thirty and forty thousand tons of sugar a year and holds its lands under leasehold. Then there is the Waialua plantation, producing 20,000 tons of sugar now, with a strong prospect of increasing her production to that of Ewa. It has under its control about 35,000 acres of land. About 4,000 acres of that land it owns in fee, and the entire balance is under leasehold.

It is the same way with Kahuku plantation. All of its lands are held under leasehold.

Another is the Waimaualo plantation, which is smaller. The lands belong entirely to the government, and are held under leasehold by the corporation.

Mr. COLE. You mean the Territorial government?

Mr. GALT. The Territorial government; yes.

Mr. COLE. In that case, does the government own it?

Mr. GALT. Not all of it. Some of it is owned by individuals and estates.

Mr. COLE. How long do the leases continue, as a rule?

Mr. GALT. I think most of them are long leases, running about fifty years. They probably have now from twenty to twenty-five or thirty years to run, roughly speaking.

The CHAIRMAN. The reason for those long leases or one of the reasons was the difficulty of breaking up the ground and preparing it for the growth of sugar, was it not? Was not that one of the reasons?

Mr. GALT. I was just going to touch on that very point. Reference was made day before yesterday by one of the committee to Governor Carter's report of 1904, in which on page 41 it shows that out of 424,422 acres of government lands leased the total revenue derived by the Territorial government is \$8,005, or an average of less than 2 cents per acre.

I would like to call attention to a statement made by the governor just before those figures in his report, which is as follows:

The Crown-land leases in many cases were evidently used for political or other purposes. Large tracts of valuable land were and are to-day under lease at mere nominal rentals, such as no sane person would accept as the actual rental of the land. As an example, 500 acres of land in and adjoining the city of Honolulu is under lease

to expire in 1902. The Crown received and the government now receives for this land the sum of \$100 per annum. The lessee sublets the land at an annual net profit of about \$12,000 per annum. There are 2,800 acres on Kauai for which the government receives \$800 per annum that clear the lessee \$10,000 per annum net. This man is a nonresident and subleases. Many other instances of like kind exist.

On the following page the governor states in his report:

The unfortunate part, to the present generation, of this matter is that a large majority of these leases are still in existence and have many years to run. The Republic of Hawaii by its laws merged the Crown and Government lands under the head and title of public lands and placed their control in the hands of a commission of three.

These leases were made years ago by the Crown, when there existed a monarchical form of government. Those Crown lands were supposed to be the private property, or at least the revenues from them were for the personal use of the Crown, and the reigning monarch had a perfect right to lease those lands at any rentals he or she saw fit. It was in those days that those long lease were made, which have still many years to run, and which have been inherited by the present government; and they can not be altered until such time as the leases expire.

Mr. LLOYD. Would it bother you if I interrupt you?

Mr. GALT. Not at all.

Mr. LLOYD. I notice that the governor in his reports, both in 1904 and in the present report, recommends that the lease period be extended from five years to twelve years.

Mr. GALT. Yes, sir; and I will be very glad to recommend the same thing; and I had in mind touching upon that in just a minute or two. I would be glad to answer it now if you desire. Do you wish to know the reason why that is recommended?

Mr. LLOYD. I understand the reason the governor gives. But I want to know what you have to say about it.

Mr. GALT. As these old leases expire, of course, the most valuable of those lands are lands that can be cultivated for sugar. Under the organic act, as it now exists, the Government can not make a lease of any of those agricultural lands for a period longer than five years. The sugar corporation, facing the large expenditures which it has to make in order to produce the sugar, and facing the fact that it takes eighteen months to two years to secure a crop of sugar, can not be expected to give high prices for those lands for a period of five years, at the end of which time they have not the faintest idea as to whether they are going to get a renewal of the lease even on the same terms as before, if at all.

Mr. LLOYD. Is it your idea that you will divide up those great plantations and allow them to be sold out to individuals and have private holdings instead of Government holdings?

Mr. GALT. Not all of them. Some of them, yes. It is a very strong policy of the present administration out there to take portions of those lands—and the question is being very strongly agitated—in the endeavor to secure a class of immigration, a class of men who will be eligible to become American citizens, to come there, and be given the opportunity of getting the fee of those lands and living on them and cultivating them.

Mr. LLOYD. In the form of lease that is made, which makes a contract between the Government and the individual, is there any provi-

sion that the lands may be sold if the law is changed to authorize individual holdings?

Mr. GALT. Not that I know of.

Mr. LLOYD. The lease would remain in existence until the termination of the five years in any event?

Mr. GALT. I believe so.

Mr. LLOYD. Do you know anything to the contrary, Mr. Smith?

Mr. W. O. SMITH. The contract would run for its term.

Mr. LOEBENSTEIN. All the leases that have lately been executed between the Territory of Hawaii as lessor and the lessee contain a proviso whereby the Territory can at any time, by giving reasonable notice, take over that land for homestead or other settlement.

Mr. LLOYD. That is the point I want to get at. It is a very proper provision.

Mr. WEBB. What proportion of the lands in the Territory are owned by the Territorial government?

Mr. GALT. I do not know. Mr. Loebenstein, can you answer that?

Mr. WEBB. That is, all the lands.

Mr. LOEBENSTEIN. The question is, what proportion of the lands are public lands?

Mr. ROBINSON. What proportion are owned by the government?

Mr. LOEBENSTEIN. Out of the total of over 4,000,000 acres among the different islands of the Hawaiian group there are a little over three million acres of land belonging to the government, of which about 85,000 acres are utilized at the present date by the sugar-cane growing corporations, and the remainder for various arable and agricultural and pastoral purposes.

Mr. WEBB. What proportion of the other million acres is used for agricultural purposes?

Mr. LOEBENSTEIN. For agricultural purposes?

Mr. WEBB. Yes.

Mr. LOEBENSTEIN. It is hard to tell. The figures I give you represent the outside figures of the land under cultivation for sugar cane, and for agricultural and pastoral purposes. Of the total, 85,000 acres are now under cultivation for sugar-cane growing purposes.

Mr. LLOYD. What, in your judgment, would be a reasonable valuation per acre for the 85,000 acres.

Mr. LOEBENSTEIN. It is a difficult question to answer, for the reason that these areas cover all sorts and conditions of land.

Mr. LLOYD. I appreciate that; but I thought you would have some general idea.

Mr. LOEBENSTEIN. It differs at high and low elevations. Some of the lands require irrigation; others become productive by natural rainfall. I believe reference to the taxes which have been imposed and which have been submitted by my colleagues who have preceded me here will give you the idea. They run from \$40 to \$150 an acre.

Mr. W. O. SMITH. Depending very much on whether there is water for irrigation.

Mr. LLOYD. Do you think it would be safe to say it would average, say, \$75 an acre?

Mr. LOEBENSTEIN. I believe it would, Mr. Lloyd. You must bear in mind that the different elevations determine the facility of crop bearing. In some localities it takes three years or more before a crop matures.



The CHAIRMAN. As I understand the general shape of these lands is triangular, the base resting on the sea and the apex toward the higher part of the island. The lower part which comes down to the sea is used for raising rice, and that sort of crops; the lands that are higher are the sugar lands; and higher up are the grazing lands.

Mr. GALT. That is it, approximately.

Mr. W. O. SMITH. I think there may be a wrong impression given to the committee, unintentionally. Mr. Loebenstein does not mean to say that the 85,000 acres of land cultivated in sugar are all on public land.

Mr. WEBB. I got that impression.

Mr. LLOYD. I got that impression, also.

Mr. W. O. SMITH. Eighty-five to ninety thousand acres are cane land, but it is not all public land.

Mr. LLOYD. I had that idea. What per cent is Government land?

Mr. W. O. SMITH. We could hardly say that, I think.

Mr. LOEBENSTEIN. I could submit that later on.

Mr. LLOYD. I would like to have it, and also how much of it is pasturage land—

Mr. WEBB. And how much is rice land?

Mr. LLOYD. I think it is in the report, but I am not sure.

Mr. LOEBENSTEIN. I think you will find the figures in the archives of the Interior Department, more especially in a report of Governor Dole, of May, 1900.

Mr. LLOYD. The only point I was concerned about was the reasonable estimate of the value of the Government holdings that are tilled in sugar. You say it would probably be worth \$75 an acre?

Mr. LOEBENSTEIN. On an average.

Mr. LLOYD. I would like also, in that connection, to get an estimate of the value of the other lands that are owned by the Government. Take the pasture lands.

Mr. W. O. SMITH. I think we can get it from the governor's report.

Mr. LLOYD. I do not think we get the value, except by combining them all together. We get the value of the real estate in the island, and the value of the personal property in the island, but I do not know of anything that shows the value of the Government holdings in the island.

Mr. W. O. SMITH. Have you a copy of Mr. Knox's report, made during 1900, when we were discussing the organic act? I think there were estimates there that would cover the point. If you have not that report, we can get it from former reports.

Mr. WEBB. Do you know what is about the average future life of these Crown leases? Some expire in five, some in ten, some in thirty years?

Mr. GALT. I do not know. I should say as a guess, that they run up in the neighborhood of twenty years—the most valuable Crown leases.

Mr. WEBB. Do you think after that you will get sufficient money to run the government all right?

Mr. GALT. It seems to me that the revenues from those old leases as they expire will make a big difference in the financial condition.

Mr. WEBB. You will lease the land at a higher price and thus get more revenue?

Mr. GALT. Undoubtedly.

Mr. W. O. SMITH. The policy is that as these government lands come in, as the leases expire, they do not wish to rent the lands to the present enterprises, but so far as they can they wish to have them divided up into smaller holdings for immigrants. It will be taken up on low valuations, but on the conditions of residence and cultivation. That will not add to the revenue except through taxation and the generally improved conditions; and while we will get more rents as the new leases are made a number of things militate against it.

Mr. LLOYD. I remember distinctly that when the organic act was framed the purpose then was to have the holdings divided up and to have private ownership. At that time this committee was very much adverse to the idea of having these great tracts of land owned by foreign corporations. They considered that the whole property should be owned by Hawaiians and should be divided up into such holdings so that Hawaiians might own the property.

Mr. W. O. SMITH. That idea has been in mind right along.

Mr. LLOYD. I mean, of course, citizens of that country, whether they be native or white.

Mr. W. O. SMITH. The main industry of raising sugar is only productive when it is carried on on a large scale. The margin of profit is small. It has been almost impossible for us to compete with California. The difficulties of transportation, and the cost, have made it almost prohibitive; but we are trying to get in settlers of the right kind to take up land for bona fide settling purposes and not for speculation. However, it is a very slow process.

Mr. POWERS. To make sugar raising profitable you want a pretty large output?

Mr. W. O. SMITH. You have to have a large output. Unless you have it will not pay. It is only by having a large output, with a small fraction of a cent of profit on a pound of sugar, that any profit can be made.

Mr. POWERS. I am told that in Cuba the machinery on one of the plantations cost \$250,000.

Mr. W. O. SMITH. We have a plantation where the pumping station for irrigation purposes cost \$500,000. On the island of Oahu last year it cost for coal \$30,000 a month for pumping water to irrigate the cane fields.

Mr. LOEBENSTEIN. We on the island of Hawaii do not have to irrigate at all.

Mr. W. O. SMITH. No. On the northeast side where the trade winds come there is quite a large area that does not require irrigation, but the great bulk of the sugar lands do require irrigation. They have in many cases water ditches costing \$300,000 and \$600,000. They sometimes have 5 or 10 miles of tunneling through the mountains to get water. It is the pumping plants that require such large capital. If a man has only small means it would not pay him to go into it.

Mr. WEBB. What is going to become of the improvements on the leased land when the leases expire?

Mr. W. O. SMITH. It is not all leased.

Mr. WEBB. But there are some valuable improvements on the leased lands?

Mr. W. O. SMITH. Where the fee is in private parties it will be to their interest to lease again. When it is owned by the Government I think the intention has been, and that it will prevail, to gradually cut them up, not all at once, so as to cripple existing enterprises.

Mr. WEBB. I mean, what is to become of the machinery, the buildings, and the improvements?

Mr. W. O. SMITH. The buildings are rarely put up on leased land, but when they are it would necessitate a long lease. That is the reason for having a long lease, so that even if at the end of the term they can not renew the lease it would pay for the improvements and a reasonable profit.

The CHAIRMAN. Would the land be of any value if it were not irrigated?

Mr. W. O. SMITH. Some of it.

The CHAIRMAN. I mean outside of that part you speak of, where the trade winds were.

Mr. W. O. SMITH. There are other lands suitable for grazing. They also enter more and more into the matter of fruit culture.

The CHAIRMAN. When the lands were originally leased were they known to possess large value?

Mr. W. O. SMITH. Some of them were known to be valuable. Some of these leases were made before even the reciprocity treaty was obtained.

The CHAIRMAN. Have they any value without irrigation?

Mr. W. O. SMITH. They were simply valuable for pasture land.

The CHAIRMAN. How much would they be worth for pasture land?

Mr. W. O. SMITH. It depends on the location--anywhere from 25 cents to \$10 an acre.

The CHAIRMAN. The great increase in the value of the lands has been brought about by irrigation and improvement for sugar-growing purposes?

Mr. W. O. SMITH. Very much so.

Mr. GALT. I think the bulk of those sugar lands, leased years ago, were almost barren, and it required enormous capital and great enterprise to make them as valuable as they are to-day.

Mr. LLOYD. It is volcanic soil?

Mr. GALT. Entirely.

Mr. LLOYD. Requiring the use of steam plows to break it up?

Mr. GALT. Yes.

Mr. LLOYD. And requiring irrigation to make the lands productive afterwards?

Mr. GALT. Yes; where there is not sufficient rainfall. During the last few years scientific soil analysis and fertilization have been the means of increasing the sugar crop, but years ago, when the leases were made at these ridiculously low prices, individuals could never have improved and developed the lands as they have been developed.

Mr. POWERS. Therefore the low leases were, in fact, from a certain standpoint beneficial to the island.

Mr. GALT. I think so, on the whole.

Mr. POWERS. They went on and established these sugar plantations and make these waterworks and expended thousands of dollars.

Mr. GALT. They have undoubtedly been the means of making the country what it is to-day as a sugar producer.

Mr. W. O. SMITH. In Mr. Knox's report of February 12, 1900, on the matter of the organic act, you will find on pages 51 to 57 a table of all the Government lands, showing the area in acres in each district of each island and its value, with remarks in regard to whether it is good grazing land, whether it is rocky land, dense forest, and so forth, giv-

ing the kind of land right through. It is given right there from the government records.

Mr. CASE. I have in mind a case where years ago the government leased quite a tract of land to a plantation for a small rental. I think in that instance it was \$5 per acre per year without the water. The plantation was in a position to get the necessary water to put on the land and to remove some of the rock.

Recently a controversy arose between the Territory and the plantation, and the government very naturally wanted a rental out of the land that would be in keeping with the returns, which would make it several times \$5. Of course the plantation very naturally said, "Suppose we remove our water from your land, what then will be its value?" And they were right, and it was absolutely worthless to anyone else, situated as it was.

I know of another large area in connection with a given plantation, where from the main road, near the sea, one could easily walk from stone to stone, never putting your foot on the soil, to the foot of the mountain. None could have gone there and have done anything with it in the way of cultivation. The plantation, having a surplus of water which, as Mr. Smith has described it, had been carried for miles, removed many of the stones and ran the water in between those remaining, and thus planted the land in cane. The land was worth nothing to any one other than the plantation that had the money necessary to develop it.

Mr. POWERS. I can readily see how the people who gave the leases for a nominal sum may have been wise in their generation, and that it has been very beneficial to the island.

Mr. GALT. I would like to refer again to Governor Carter's report of 1904, on page 49, which shows certain leases of government lands at the commencement of Governor Carter's administration. I will mention two or three instances there. Here is one case of a small area of 75 acres leased for five years at a rental of \$220, which would amount to about \$3 an acre.

Here is another instance of 186 acres of similar land, leased at \$600, which would be about \$3 per acre per year.

Here is another instance of 15 acres of rice land, leased by the government at \$330 per annum, or about \$22 an acre.

Here is still another instance of 49 acres of rice land, leased at an average rental of about \$30 per acre.

Also, in Governor Carter's report of 1905, on page 57, are shown additional leases made during the year ending June 30, 1905. There is one instance of agricultural land leased at \$6 to \$7 per acre, 347 acres, \$2,200. This report shows that the total area of lands leased during the year ending June 30, 1905, amounted to twenty-six odd thousand acres, at a total rental of about \$10,000, or 40 cents per acre.

The CHAIRMAN. The Government taxes those holdings?

Mr. GALT. Yes.

Mr. POWERS. Twenty-six thousand acres at \$10,000, or 40 cents per acre.

Mr. GALT. A large proportion of that 26,000 acres is largely waste land. Only a small part of that land would be actually cultivated; but I mention that to show what our government has been doing in the way of largely increasing the rentals from the lands which it is leasing.

Mr. LLOYD. Is it not true that the most valuable lands have the longest leases.

Mr. GALT. I think it probably is true. The leases of some of the valuable lands are expiring from time to time, but the great majority of the most valuable government lands, suitable for sugar cultivation, are under long leases.

Mr. LLOYD. You spoke of a lease of 186 acres at \$3 per acre. Was that sugar land?

Mr. GALT. That was a combination of sugar land and what is known as kula land, or high land not necessarily suitable for sugar.

Mr. LLOYD. In those small holdings, when they rent them as sugar lands, the small holdings are used in connection with larger holdings.

Mr. GALT. Yes.

Mr. LLOYD. Can you answer how many sugar corporations there are there?

Mr. GALT. I should say about sixty. I have data here showing the returns from 53 and 58 during the last three years, which I will cite in a few minutes.

I think there is a prevailing opinion on the mainland here that sugar is productive of great wealth at all times. There are times at which it does produce a very handsome return; at other times it does not. In the long run I think the average returns are not larger than in other industries in the mainland, and possibly not as large. Without any intention of trying to show that there is no money to be made in sugar, I think you would be interested to hear this information in regard to our plantations—

Mr. W. O. SMITH. May I be pardoned one more interruption? In connection with the leased lands I would like to say that under the Hawaiian laws the public lands can not be leased by private lease. They have to be leased at public auction, with three weeks' notice, and the Government to protect itself will not put up such a lease until it gets a substantial upset price which is satisfactory. It is then put up at public auction.

Mr. LLOYD. I understand that.

Mr. GALT. It costs from \$150 to \$200 an acre to produce sugar on the land, and while some of our plantations produce as high as 12 and 15 tons per acre—and those are few and far between—the average production of sugar throughout the island is about 4 tons of sugar to the acre.

Mr. LLOYD. How much is the sugar worth? [I do not mean this year, but take it for the last four or five years. About what has been the average?

Mr. GALT. Between 3 and 3½ cents, I should say. I was going to take a concrete instance. Take the cost of production at \$200 per acre. That covers the cost of planting, maturing that sugar cane, taking it off, having it ground, having the sugar extracted at the mill, and bagged ready for shipment. That is a cost of \$200 for 4 tons of sugar, or \$50 a ton. In addition, it costs \$12 to \$15 a ton to transport that sugar to the market, to cover it with insurance in transit, and to pay the commissions, and to cover the cost of marketing and the handling of the sugar through brokers and agents. Taking an average of \$12.50 a ton for what we call marketing brings the average cost of placing a ton of sugar on the market up to \$62.50. That sugar at \$70 a ton, costing \$62.50 per ton to put it on the market, gives a

margin of \$7.50, or 12 per cent profit. On the other hand, there have been many times when we have received less than \$60 a ton for the sugar, and taking it at 3 cents per pound, and costing \$62.50 a ton to market it, you see we are on the other side of the balance sheet.

Mr. WEBB. Have you sugar refineries?

Mr. GALT. No; we do not refine sugar. One of our sugar plantations is refining some sugar by, I believe, the crude sulphur process.

Mr. G. W. SMITH. They are bleaching it.

Mr. GALT. Yes; bleaching the sugar.

I would like to quote a few figures, showing what our aggregate plantations have done during the past few years in the way of making profits. Of course you all recognize that sugar is our king, and must bring to us some return.

In 1903, out of a total of 58 sugar plantations, with an aggregate capital of about \$69,000,000, the net profit on that capital was 1.31 per cent, and the dividends paid that year were 2½ per cent. They paid out really more than they gained in 1903.

In 1903, out of an aggregate of 56 sugar plantations, aggregating a capital of about \$65,000,000, there was a net profit of 7.02 per cent, and the dividends on the capital stock amounted to 2.4 per cent.

In 1904, out of 53 plantations, with an aggregate capital of about \$65,000,000, just about the same profit was made, 7.02 per cent, and the dividends paid amounted to 2.96 per cent.

Mr. POWERS. Why did they pay so low dividends?

Mr. GALT. Principally because they were trying to make good for the increase in the sugar production, which involved an outlay of many millions of dollars, in the installation of larger mills, and in increasing the area of cultivation.

Mr. POWERS. They were putting the surplus into improvements

Mr. GALT. Yes. In the last six or eight years, I think it is a conservative statement to make that our sugar plantations have had to borrow in the neighborhood of \$15,000,000 under bond issues, in order to take care of their increased crops.

Mr. REYNOLDS. What relation does the capitalization bear to the real value of the property?

Mr. GALT. I think on the whole the assets of the majority of our plantations are worth considerably more than the capital stock.

Mr. POWERS. Can you tell what the capital stock cost the persons that first capitalized it?

Mr. GALT. I think there are very few cases in which the capital stock has been increased, except conservatively.

Mr. POWERS. I mean when you handed the stock around among people, did they put in 100 cents on the dollar or less?

Mr. GALT. I think in most instances 100 cents on the dollar was put in. In a few cases there have been increases made by stock dividends.

Mr. POWERS. I thought possibly the capital stock might represent some water.

Mr. GALT. I do not think we have much inflation of stock in Hawaii.

I would like to refer further to Governor Carter's report of 1905, on pages 36 and 37, showing the revenues and disbursements of the Territory. A cursory examination of the revenues will show that out of the total receipts of \$2,411,426.31 the great bulk has been received from taxes, while the disbursements show a net current indebtedness July 1, 1905, of over half a million dollars.

A note at the end of the page explains the situation. It reads as follows:

During the twelve months included in this report current receipts of the Territory have exceeded the obligations incurred during the same period by \$86,849.91, which is in marked contrast to the twelve months period preceding, where the current receipts were \$495,948.91 short of meeting the obligations incurred.

This means that in the last two years the Territory, by cutting and pruning, has made a reduction in its expenditures of about 25 per cent. One of the things which I think will appeal to you gentlemen as a very hard proposition which the government had to face was the necessity in making these reductions, of reducing the salaries of all the school-teachers about 20 per cent, cutting down their salaries so that the average wage of the school-teachers to-day is about \$51 per month. That is a very small amount of money for a school-teacher, or anyone else, to live on in Hawaii.

Mr. REYNOLDS. What is the length of your school term?

Mr. W. O. SMITH. Nine months, altogether, with three months vacation.

Mr. GALT. Another brief illustration of what we have had to do to meet the existing financial conditions is the method we have had to adopt to raise sufficient funds to look after the sanitary condition of our city. You are all aware of the fact that we have had and are constantly open to attacks of such diseases as the plague and cholera, and while the United States quarantine service is very effective in taking care of our ports, we are left to entirely raise the means for taking care of our city. The necessity of increasing our sanitary inspection was such that when the legislature could not provide the funds the merchants imposed a voluntary tax upon themselves, upon the goods which they bring into the country, and established a fund which for several years has been largely turned over to the board of health in order to preserve the health of the community.

Mr. COLE. Is it more expensive to live in Hawaii than in the United States?

Mr. GALT. I should say it is.

Mr. LLOYD. In this connection I would like to ask a question, and I do not know but that this is as good a place as any to ask it. Are you expending anything at present for pensions?

Mr. GALT. Not to my knowledge. I believe our legislature gives the ex-Queen \$7,500 per year.

Mr. LLOYD. Is that all?

Mr. GALT. The others are so small that they would not cut any figure at all.

Now, Mr. Chairman, these customs revenues, which have averaged during five years one million two hundred and odd thousand dollars a year, as already stated, were, before annexation, at the disposal of the Territorial government and were used by the government in connection with the other revenues for carrying on not only the current expenses of the government but for public improvements. That money, from the time of annexation—one million two hundred odd thousand dollars a year—has come to the Federal Treasury, and we are constantly faced with the situation of making good the shortage of about one-third of our total revenues to maintain the same standard which we had reached at that time.

Mr. WEBB. What is the difference between the amount of money you are allowed to expend now, or do expend in the Territorial government, and what you expended before annexation; can you tell me?

Mr. GALT. The principal difference is this: That in keeping up to the same standard we have been obliged to go outside and to borrow the equivalent of the money, and more than the equivalent of the money, that we get from the customs revenues in order to keep up the standard of public improvements.

Mr. WEBB. What was the amount of revenue from the custom-house and your internal system before annexation, and what is it now? In other words, I want to know the difference. Is it a million dollars, two hundred thousand dollars—

(A bystander made a remark which was not understood by the reporter.)

The CHAIRMAN. When any interruption occurs the gentleman will please state his name, and speak clearly. We are all interested in this, and I think we may derive information from this hearing.

Mr. LLOYD. Mr. Galt, can you give us an itemized statement of that item of \$1,917,341.16 in the disbursements, page 37?

Mr. GALT. In the 1905 report?

Mr. LLOYD. Yes. "Departmental expenses July 1, 1904-June 30, 1905, being amount of warrants drawn by the auditing department?"

Mr. GALT. I can not give it to you at this minute. I think I can procure it.

Mr. LLOYD. Just go on. I do not want to interrupt you further. You say you can get it. I would be glad to have it.

Mr. WEBB. Since annexation you have been deprived of the expenditure of about \$1,000,000.

Mr. GALT. An average of \$1,200,000; and we have had to make that up by increasing our taxes among our people. The taxes for the year 1905, which were actually collected, amounted to \$1,941,184, which shows an increase of over 50 per cent in our taxation. We feel that we have just about reached the limit of increasing taxes. The people can not stand any further increase.

Mr. LLOYD. Did you pay 1 per cent prior to annexation?

Mr. GALT. Taxation?

Mr. LLOYD. Yes.

Mr. GALT. Yes; the same rate has prevailed.

Mr. LLOYD. In the year preceding annexation you paid on a valuation of \$75,000,000, and in 1905 you paid on the valuation of \$133,000,000, showing an increase in that time of nearly \$60,000,000 in valuation of property.

Mr. WEBB. Nearly 100 per cent.

Mr. LLOYD. Yes.

Mr. GALT. I was quoting the average increase for five years, since annexation.

Mr. LLOYD. The point I am getting at is that your assessment shows property has increased in value from \$76,000,000 in 1899 to \$133,000,000 in 1905.

Mr. GALT. Our property has not increased in value to any such extent, but our tax office has been obliged to arbitrarily raise the assessed value in order to get sufficient revenue to carry on the government. That is the explanation of that.



Mr. WEBB. Does the report you read from give the assessed or the actual valuation?

Mr. GALT. The assessed value.

Mr. WEBB. That report does not say that is the actual value, but the assessed value which these gentlemen say they have been bound to increase on the ground of necessity.

Mr. W. O. SMITH. Prior to 1899 our tax returns used to have a clause at the bottom which would read: "Less 33 $\frac{1}{3}$  per cent, to bring up the cash value." That was deducted, and the tax was paid on 66 $\frac{2}{3}$  per cent of the valuation. That has been eliminated from the tax return for the last five years, and we pay the full tax assessment placed on the property.

Mr. GALT. Our income tax is a new tax which has been assessed within the past two or three years. It has increased the revenue about \$150,000 a year. We never had it before. It was simply another way of imposing some kind of a tax to raise revenue.

Mr. POWERS. You have also an inheritance tax?

Mr. GALT. Yes, sir.

Mr. POWERS. But nobody has died there, I presume. It is such a fine place.

Mr. GALT. I think we have almost every kind of a tax known.

Mr. W. O. SMITH. We have a stamp tax by which on any conveyance up to \$10,000 it is \$2 a thousand. After you go over \$10,000 it is a certain amount, and it is \$4 a thousand for a stamp on a deed.

Mr. WEBB. Is that new?

Mr. W. O. SMITH. No. We used to have a stamp duty, but it has been increased very much in the last five years.

Mr. CASE. If I may interrupt Mr. Galt, I desire to call attention here to the "Revenue, Territory of Hawaii, for the year ended June 30, 1905. Receipts." It shows in detail all the various methods of taxation.

Mr. LLOYD. You find that in the governor's report for 1905, on page 36.

The CHAIRMAN. Perhaps it would be well to incorporate it.

Mr. CASE. As Mr. Galt says, we surely have almost every kind of tax.

Mr. LLOYD. They are very few in number. I think it would be well to put them in the report of the hearing. You might incorporate both subjects, Mr. Galt—the receipts and disbursements for 1905.

The CHAIRMAN. Will you do that, Mr. Galt?

Mr. GALT. Yes.

The tables referred to are as follows:

*Revenue, Territory of Hawaii, for the year ended June 30, 1905.*

RECEIPTS.

Licenses .....	\$107,303.16
Revenue stamps .....	26,255.70
Corporations and copartnerships .....	1,827.00
Inheritance tax .....	6,271.71
Insurance tax and filing fees .....	8,509.59
Accrued interest on bonds .....	7,757.08
Real-estate tax .....	609,343.72
Personal-property tax .....	570,654.55
Carriages, carts, and dray tax .....	18,148.00
Road tax .....	99,996.00

School tax .....	\$99,996.00	
Poll tax .....	49,998.00	
Dogs and tags tax .....	5,395.50	
Penalties and costs tax account .....	15,429.60	
Income tax .....	157,057.98	
Bureau of conveyances .....	13,615.00	
Land registration court .....	823.22	
Rents, public works .....	38,204.27	
Excavator and garbage .....	8,803.25	
Sewerage .....	13,155.88	
Market .....	1,127.70	
Weights and measures .....	105.65	
Land sales, public works .....	139.85	
Waterworks .....	131,336.90	
Wharfage, Honolulu .....	29,270.34	
Pilotage, Honolulu .....	21,890.63	
Wharfage and pilotage, other islands .....	3,696.75	
Kerosene storage .....	5,910.57	
Powder storage .....	1,352.09	
Bureau of health .....	23,316.26	
Judiciary department .....	75,614.16	
Agriculture and forestry .....	459.25	
Survey .....	531.30	
Land sales, public lands .....	37,253.92	
Land revenue, public lands .....	130,763.95	
Department of public instruction .....	6,828.31	
Secretary of the Territory .....	7,990.25	
Auditing department .....	223.25	
Miscellaneous realizations .....	18,156.68	
		\$2,354,813.02
Cash balance July 1, 1904 .....		56,613.29
Total receipts .....		2,411,426.31

## DISBURSEMENTS.

Outstanding warrants July 1, 1904, legislative and those drawn by the auditor .....	\$720,093.99	
Departmental expenses July 1, 1904-June 30, 1905, being amount of warrants drawn by the auditing department .....	1,917,341.16	
Interest on bonded debt .....	119,236.40	
Interest on registered treasury warrants .....	19,758.20	
Regular and extra session legislature, 1905 .....	54,679.09	
Transferred to road tax special deposit .....	118,144.00	
Transferred to land sales special deposit .....	37,980.71	
Transferred to land sales special deposit, legislative resolution No. 6 .....	761.36	
Unpaid warrants, 1898-99 .....	62.19	
		2,988,057.10
Less receipts .....		2,411,426.31
Net current indebtedness July 1, 1904 .....		576,630.79

## RÉSUMÉ.

Outstanding warrants July 1, 1904 .....	\$720,093.99	
Less cash on hand July 1, 1904 .....	56,613.29	
Net floating indebtedness July 1, 1904 .....		663,480.70
Outstanding warrants July 1, 1905 .....	636,039.28	
Less cash on hand July 1, 1905 .....	59,408.49	
Net floating indebtedness July 1, 1905 .....		576,630.79
Floating debt reduced during twelve months .....		86,849.91

During the twelve months included in this report current receipts of the Territory have exceeded the obligations incurred during the same period by \$86,849.91, which is in marked contrast to the twelve months' period preceding, where the current receipts were \$195,948.91 short of meeting the obligations incurred. Figuring on a conservative basis, the floating indebtedness of \$576,630.79, outstanding at the close of the period just passed, will be all paid during the present year, and on June 30, 1906, there will be a cash balance in the treasury.

The CHAIRMAN. Proceed, Mr. Galt.

Mr. GALT. I feel confident that the more you look into our condition and the more information you obtain about it the more nearly you will agree with us in our efforts to obtain this appropriation. As I said before, if we do not get it, all right. We are going to do the best we can. If we do get it, it can be, and I think it will be, used very largely for our Territorial needs. That means either one of two things. We can decrease our present heavy tax, or if we can still maintain that, we will have just so much more to use for the purpose of progress and advancement. We are Americans, just as you are, and we are just as keen and anxious for our Territory not to retrograde or to stand still, but to advance and progress, as you wish to have your States do. And we are in earnest. We have made this long journey to give you our ideas and views on this subject, and we are well contented to leave the outcome in your hands.

Mr. LLOYD. This is outside of this particular bill, but I would like to get the information I am about to ask of you about the islands. You gentlemen have come from there. The second recommendation of the governor is that the supreme court judges be increased in number from three to five. This can only be done by amending the organic act. What have you to say about that, and what have you to say as to the necessity of the increase?

Mr. GALT. That is a matter of a legal nature, and I would prefer to refer this to Mr. Smith.

Mr. W. O. SMITH. Our supreme court consists of three judges, and the volume of work has grown. The interests involved, especially since annexation, have become greater, and we feel that it would be a stronger court if we had five judges instead of three.

Mr. LLOYD. It is not the purpose, if you had five, to divide the work. You would simply have the same bench?

Mr. W. O. SMITH. The same bench, but increasing the number from three to five. We have a large number of cases, and a large class of cases. That court is the court of last resort, and the field has grown to such an extent that I think it would be a desirable thing if the bench could be increased; but we are not here for that.

Mr. WEBB. How many months do they sit?

Mr. W. O. SMITH. It is a continuous term, except two months in the summer.

Mr. WEBB. Ten months out of the year?

Mr. W. O. SMITH. Yes; but they have sessions from time to time to dispose of work.

Mr. LLOYD. These three judges always sit together?

Mr. W. O. SMITH. Yes, sir.

Mr. LLOYD. Do they ever divide the court?

Mr. W. O. SMITH. No; it is simply an appellate court.

Mr. LLOYD. The next recommendation is "An act clearly defining the jurisdiction of the circuit courts in Hawaii in reference to their

power of naturalizing aliens and legalizing their previous actions in that respect, by amending section 100 of the organic act."

Mr. W. O. SMITH. There was a question under the organic act as to whether our local circuit judges had the power to naturalize. We have a United States district court there, with a judge who has circuit court powers. He lives in Honolulu. On each island there is an adjoining district where the circuit judge presides at nisi prius trials. The question was whether under the organic act those circuit judges had the power and authority to naturalize citizens.

Mr. LLOYD. Are they assuming that power now?

Mr. HATCH. They did assume it.

Mr. LLOYD. They did perform that function?

Mr. HATCH. Yes. Since that power was questioned, I do not know whether it has continued. The doubt grew out out of the wording of the Federal law in regard to naturalizing, that the supreme and district courts may naturalize.

Mr. LLOYD. It does not use the word "circuit?"

Mr. HATCH. No.

Mr. LLOYD. The next recommendation is:

"Congress to direct the Department of Justice to send out some one to conduct, with the assistance of local authorities, the condemnation proceedings and ascertaining the lawful value of the private fishing rights that have now been recognized by the Supreme Court of the United States as vested interests."

What about that. Do any of you gentlemen know anything about that?

Mr. W. O. SMITH. Mr. Hatch, do you know about that?

Mr. HATCH. I don't think that is considered as a very pressing matter.

Mr. LLOYD. The fifth suggestion is that the governor be given power of suspension or removal between sessions of the Senate of any appointed officer.

Mr. W. O. SMITH. That is a mooted question. The governor appoints the heads of departments and quite a number of the Territorial officers, with the approval of the Senate. He appoints and removes with the approval of the Senate. There has been some question, and some difficulty, in regard to the matter of the power to remove heads of departments. He is the chief executive, and these heads of departments under him are his appointees. The recommendation is that the law should be amended so that he would have power to remove between sessions of the legislature, when the Senate was not available or accessible.

Mr. LLOYD. Is it your judgment that that is a proper enactment?

Mr. W. O. SMITH. I think it would be.

Mr. LLOYD. Is it yours, Mr. Hatch, or is it a matter of no consequence?

Mr. HATCH. Yes; I think the power of suspension is a matter of importance.

Mr. LLOYD. And that is as far as you would go with it?

Mr. HATCH. That is as far as I would go—the power to suspend between sessions of the legislature.

Mr. LLOYD. The next recommendation you have answered, with reference to the lease of lands.

Then he suggests as his seventh recommendation that you have annual sessions of the legislature instead of biennial sessions.

Mr. W. O. SMITH. The governor recommends that?

Mr. LLOYD. Yes; what is your suggestion about that?

Mr. W. O. SMITH. I respectfully beg to differ from him. We have them once in two years, and that is about as much as we can stand.

Mr. LLOYD. In that connection, is it not true that the session of the legislature was, in some way, limited by the organic act?

Mr. W. O. SMITH. It is limited to sixty days' sessions, but there can be a thirty days' extension by the governor, and special sessions can be called for on special occasions. But the session is limited to sixty days, with power of extension for thirty days longer.

Mr. LLOYD. The governor, in his report of 1904, and also in his report of 1905, suggests that Congress should authorize the transfer back to the Territory of the armory site.

Mr. W. O. SMITH. That is right back of the executive building. It has been used for our own national guard. It has been taken by the War Department and is used by the Federal military authorities, and the governor would like to have that for our local national guard.

Mr. LLOYD. Do you see any special reason for that being done?

Mr. W. O. SMITH. If the Federal Government would provide proper accommodations for its own men, they would have no use for it, but it has been taken and we are left out of doors.

Mr. LLOYD. It does not belong to the United States, then?

Mr. W. O. SMITH. It has been taken by proclamation, and therefore it belongs to the United States.

Mr. LLOYD. By proclamation of the President?

Mr. W. O. SMITH. Yes.

Mr. LLOYD. Was it taken without compensation?

Mr. W. O. SMITH. Yes.

Mr. HATCH. No compensation is required with regard to any lands of the public domain taken by the United States. The provision of the organic act is that the President shall have power to set apart—

Mr. LLOYD. I know; but I thought possibly this belonged to the Territory of Hawaii, and if it did and the United States took it, it would be right to compensate the Territory of Hawaii, would it not?

Mr. HATCH. It was part of the public domain. Prior to annexation it had been used for the purposes of the National Guard. It was not in use at the time, and the War Department found it vacant.

Mr. LLOYD. Then there is no loss to the Territorial government in the matter?

Mr. HATCH. It is a loss. Our National Guard is without any home.

Mr. W. O. SMITH. There is no loss of revenue?

Mr. HATCH. No.

Mr. LLOYD. I am trying to get at the question of right in the matter. If this armory site really belonged to the Territory of Hawaii and the United States Government took it, while it may have had the right to do it, the question is whether you should not be compensated for the taking.

Mr. WEBB. Is not the superior title of all lands in Hawaii in the United States, and can they not set apart any portion of the Territorial land for the use of the public?

Mr. HATCH. Yes; and they have done so in many instances, without compensation.

Mr. LLOYD. But one of the complaints made here is that in numbers of instances the Government has done this thing and has not compensated the Territory of Hawaii. I was trying to get at the equity of the matter, whether the Territory ought to be compensated if the United States still continued the use of the armory site.

Mr. WEBB. The Territory derived no revenue from that site.

Mr. LLOYD. He makes another suggestion, and it is made, I believe, by all the governors, that there ought to be some modification of the immigration laws so far as the Territory of Hawaii is concerned; I presume so as to permit the admission of Chinese and Japanese?

Mr. G. W. SMITH. We have abandoned all idea of that kind. The governor is opposed to it strenuously.

Mr. LLOYD. I am very glad to hear that. What do you say to this?

One of the most important questions that concerns the future of these islands is the need of some modification of the immigration laws in order to provide an increase of population to develop the resources of this Territory to the fullest extent. Small as Hawaii is, American statesmen must recognize that the full development of these islands can not be obtained unless they are exempt from general legislation created for conditions that exist on the mainland or Atlantic seaboard.

I construe it to mean the same as the preceding report and to refer to Chinese and Japanese.

Mr. GALT. No; I believe our Territorial government has been informed by the officials at Washington that the Territorial government should have a class of immigrants capable of becoming American citizens; and that is what they look forward to having.

Mr. LLOYD. That is all.

Mr. W. O. SMITH. I think Mr. Loebenstein would like to be heard, Mr. Chairman.

The CHAIRMAN. We will be glad to hear you, Mr. Loebenstein.

#### **STATEMENT OF MR. ALBERT B. LOEBENSTEIN, OF HILO, HAWAII.**

Mr. LOEBENSTEIN. Mr. Chairman and gentlemen, I presume you must be pretty well fatigued by this time with the encroachments made upon your patience by my colleagues who have preceded me, and I will therefore seek to abbreviate as much as possible what I had intended to descant upon.

I have the honor to represent the Chamber of Commerce and commercial bodies of the island of Hawaii, the largest island of the group composing the island archipelago, containing an area itself of over 4,000 square miles, equivalent to an area of over 2,750,000 acres, and within it a population of nearly 47,000 inhabitants.

In presenting certain matters before you for your consideration, you will pardon me if I digress somewhat from the mere statistical standpoint, or the presentation of facts so ably pursued by those who have preceded me, and confine myself plainly to an appeal from the national standpoint, the point of view from an American to a fellow American.

Those of us who have long resided on those distant shores and who have dedicated our lives and who have devoted and extended our energies and our means in the inculcating and development of the American idea within what is now the Territory of Hawaii, realize that those efforts of ours, after many years, have at last borne fruit, and that the Hawaiians are in kinship to-day coequal with those of us.

who are the sons of American soil, and are endeavoring to their utmost with us to perfect that ideal of Americanism that all true Americans should possess.

While we to-day appear before you conscious that those ideals have been realized, that we equally enjoy those blessings, we are also conscious of the fact that with those blessings have come burdens and responsibilities; and while we would not have you understand that we in any way resent the imposition of those burdens upon us, still some of them have really become greater than we can much longer bear with safety under the conditions that there exist.

You found us a distinct nationality, guaranteed by yourselves—I refer, of course, to history of almost sixty years back—and guaranteed by other powers. But such an arrangement was only temporary. It did not, and it could not, last, for reasons that it is not necessary to enter into at this time. Annexation became a logical necessity, and at the particular time when it was consummated it was essential to the prestige and the well-being of the United States of America. It found us at the time in the enjoyment of an open American market for our exports, under which all of us benefited directly or indirectly. However, upon the consummation of annexation some of the revenues upon which we had up to that time depended for necessary improvements and works of a progressive nature being withdrawn from us, it necessarily made the burden of taxation to maintain the pathway upon which we found ourselves at the time so much the greater to bear. We still had the advantages of that open American market, but its advantages were minimized by tariff legislation which Congress has since seen fit to adopt for other localities.

We do not come before you in any complaining spirit. We recognize the fact that with the privileges there must also come burdens and responsibilities, and it is and has been our endeavor to participate and to share in those burdens as much as it is possible; but we have reached a point where to continue in that condition means danger in the future, so we require your generous action in our behalf. We do not come before you as mendicants. We seek no special favors or privileges. We ask you for no special legislation that will be unfair or that will deprive some locality within the confines of the American Union of its share or pro rata of the funds that may properly be given by Congress in its behalf. All we ask from you is, if you can, to set aside from those contributions gleaned from the customs and from the internal-revenue receipts, so much as you can afford to, for the necessary works of development and progress within the confines, and specifically for the uses of the Territory itself.

I have here compiled a few figures, accompanied by explanatory statements, and if I am not encroaching upon your time I should like to be permitted to read a few of the extracts at least.

Reliable figures have already been quoted before you, and it is shown that since the absorption of Hawaii as a Territory its 154,000 consumers have paid into the Federal Treasury a gross total of \$6,059,181.51, or a total net, after deducting the expenses of collection, of \$5,435,137.05, being at the rate of \$35 per capita; furthermore, from revenue and other receipts, a net total of \$254,936.57, making a net total from these two sources of \$5,690,073.62, or a ratio of \$37 per capita.

For the fiscal year ending June 30, 1905, the net Federal receipts from these two sources amounted to \$980,753.21.

Furthermore, the United States is to-day the owner in fee of exceedingly valuable real estate and water-front property in and adjacent to the city of Honolulu, reserved to it or ceded to it by the Territory, and amounting to approximately the value of \$2,000,000. From these just mentioned extracts from official statistics we ask you to consider the remarkable reimbursement made to the Federal Treasury of its total expenditures in Hawaii, including the extinguishment of its payments on account of the public debt of Hawaii upon annexation. In other words, Hawaii has more than reimbursed the United States for every dollar paid out in behalf of annexation, furnished it with lands and sites for its various purposes, leaving the title to all its public lands and property transferred vested in the United States Government free of all cost.

This is an unparalleled public financial showing, and it is doubtful whether ever one country was absorbed by another at no cost in so short a time. On the other hand, it is more than likely that the withdrawal of such proportionately enormous sums of money would have helplessly bankrupted any like population in numbers living even under more favorable environments than ourselves. Nor dare the remedy for this condition be indefinitely postponed here among us without dire results.

It may not be amiss to urge your close consideration to the physical conditions affecting our environment. Hawaii, not including certain outlying islets, consists of five main islands, aggregating a total of 6,449 square miles, comprising a total of 4,125,135 acres —

Mr. HIGGINS. Are all the islands inhabited?

Mr. LOEBENSTEIN. All but the little islets that I just excluded from consideration in this argument. The island of Hawaii lies farthest to the south. Then come in turn the islands of Maui, Molokai, Oahu, and Kauai. The trend of the group is from northwest to southeast.

As I say, that comprises a total of 4,125,135 acres, of which about 85,000 acres are at present under cultivation for sugar-growing purposes. A further 1,200,000 acres, more or less, is partly occupied or adaptable for agricultural, pastoral, and, under favorable conditions, homestead purposes. The remainder, approximating in the neighborhood of 3,000,000 acres, consists of timber tracts at high elevation in all degrees of greater or less maturity, useless for other than water conservation purposes. The more open portions are adapted to sheep herding under fair weather conditions. The remainder consists of great, bare, worthless lava and sand wastes. Within this area dwell about 155,000 people.

As a matter of fact, the whole present productive area is practically confined within the bounds of a block less than 2,500 square miles, and is in the nature of a fringe around the seacoast portion of each island and extending back from one to three miles from the coast line. Such, in short, are the main characteristics of these islands in the mid-Pacific, standing merely on the threshold of great productiveness and development, containing within the areas mentioned tracts of extreme fertility, and eminently desirable for homestead or other settlement purposes by the intelligent farmer and practical agriculturist, but as yet lying dormant and inert for want of the proper funds on the part of the Territory to the opening of roads and pathways that the same may be made accessible.



The feeling is prevalent in certain quarters that our sugar industry is a staple article of production, of constant and unvarying returns to the investor. Attention has also been frequently called to the supposed enormous profits accruing to the investment in the shape of dividends. The reverse, however, is true, and the dangers of depreciation in values in this industry are greater than generally supposed by the public at large. Sugar is an intensive industry, and the one industry most sensitive and immediately affected by fluctuations either of labor supply, conditions of climate, or other economic factors. This has been the experience of many years. During the years of 1899, 1900, and part of 1901 there was a marked expansion in the sugar-growing interests of the Territory, an enhancement in the value of property in both arable and agricultural areas as well as in realty in the different islands of the group. Labor was everywhere in demand at higher values than ever before, fostered no doubt by the scarcity of labor on the mainland. Plantations sought and eagerly competed with or against one another in the effort to secure all classes of labor to carry out their projected improvements.

Unfortunately the reaction set in in the latter part of 1901, and became very severe not only on labor, but on investments as well. Labor like capital suffered, as is always the case after a so-called boom. Later higher prices for sugar afforded some relief, but the sugar crop of 1904 was mostly harvested before the rise in prices. The statements just made are actually proven by the figures, and in a report by the Hon. L. E. Pinkham, president of the Builders and Traders' Exchange, of Honolulu, to the Hon. G. R. Carter, governor of the Territory, showed that the results to the combined plantations of the Territory for the period mentioned, plantations representing an investment of approximately \$64,000,000, had earned a book profit of only 2.75 per cent, while the Federal Government, on its investment of \$4,000,000 or thereabouts, in the annexation of the islands, cleared during the same year the sum of \$1,143,519.95. In the year 1903 the plantations acquired a book profit less than the one previously mentioned, amounting to but 2.40 per cent, while the net income to the Federal Government for that year was about the same as for the year previous.

Of much interest in this connection, and still further emphasizing the sensitive correlation with our main industry and the financial status of the Territory, is the subjoined summary, which I crave your demission to file as a portion of my testimony given here, compiled by me from various official sources, connecting imports, exports, and income taxes for given periods, customs duties, summary of debt per annum, tax per capita per annum, tax on a basis of citizen population per annum, besides other data, which I feel called upon to insert for general information.

## EXHIBIT 1.—Filed by A. B. L.

*Table of Hawaii's Territorial receipts, expenditures, imports, exports, taxes, public debt, customs, internal revenue, tax per capita, debt per capita.*

Fiscal year.	Receipts.	Expenditures.	Imports.	Exports.	Taxes.
1897-98.....	\$2,361,161.00	\$2,095,016.00	\$10,368,815.00	\$17,346,744.00	\$811,818.00
1898-99.....	2,817,200.00	2,310,837.00	16,069,577.00	22,618,741.00	1,068,117.00
1899-1900.....	3,348,003.00	3,481,459.00	10,231,197.00	14,404,496.00	1,295,158.00
1900-1901.....	2,140,297.00	2,576,686.00	24,964,693.00	29,342,697.00	1,659,672.00
1901-2.....	2,473,173.00	2,382,969.00	22,036,583.00	24,793,735.00	1,605,460.00
1902-3.....	2,387,716.00	2,603,194.00	13,982,485.00	26,275,438.00	1,678,362.00
1903-4.....	2,415,356.00	2,844,054.00	15,784,691.00	25,204,875.00	1,617,468.00
1904-5.....	2,354,613.00	2,240,732.00	14,718,483.00	36,147,526.00	1,941,184.00

Fiscal year.	Public debt.	Customs.	Internal revenue.	Tax per capita.	Debt per capita.
1897-98.....	\$4,390,146.00	\$764,903.00	.....	\$5.27	\$23.50
1898-99.....	4,457,605.00	1,075,573.00	.....	6.93	28.90
1899-1900.....	4,890,351.00	1,331,692.00	\$7,454.00	8.41	31.70
1900-1901.....	4,226,374.00	1,219,619.00	102,182.00	10.80	27.40
1901-2.....	939,970.00	1,327,518.00	70,235.22	10.40	6.10
1902-3.....	1,093,970.00	1,193,677.00	40,090.00	10.10	7.10
1903-4.....	2,185,000.00	1,229,492.00	44,633.00	10.50	14.20
1904-5.....	3,317,000.00	1,013,404.00	44,280.00	12.60	21.50

NOTE.—The Federal customs revenues for the fiscal year ending June 30, 1900, amounted to \$45,523.99. The difference between this and the total amount represents the Hawaiian Republic's receipts.

Per capita results are based upon total population, census of 1900; number of inhabitants, 154,016.

*Summary of customs receipts from Hawaii since annexation to end of fiscal year, June 30, 1905.*

Expenses collecting revenue.....	\$496,667.87
Revenue-Cutter Service.....	27,526.04
Excess of deposits.....	51,122.75
Debitures.....	30,739.78
Refund by cash statements (to December 31, 1905).....	18,042.06
Total disbursements.....	642,092.48
Less refunds not disbursed.....	18,000.00
Total collections.....	624,098.00
Net receipts.....	6,059,235.53
	5,435,137.05

But in addition to the fluctuations in value brought about by financial and industrial causes, those caused by natural or parasitical enemies living upon the cane must also be taken into account as governing factors in reducing the total yield and as showing reasons for fluctuations in production during different years of a sugar crop.

I will refer briefly to the ravages wrought by the so called "leaf hopper" on the lands of the Hawaiian Agricultural Company's property in the district of Kau, which I remember. This property consists, in the main, of lands held by the corporation under government leases, some of which will expire within five years. They have at different periods proven very productive, depending on the particular climatic conditions for the particular year. In years when the rainfall has been ample and abundant the crops have realized a profit to the investors. On the contrary, when the average normal rainfall does not take place the yields, and consequently the profits, diminish. It

must also be taken into consideration that on this side of the island the crop of cane, from the time of planting to the time of maturity and harvesting, very often requires and in no instance takes less than three years.

The damage done to this particular property covered more than 77,000 tons of sugar cane, deferring any possible returns to the investors of this property for more than three years, which have not yet expired. The leaf hopper extended its ravages at the same time upon numerous other plantations of the group, adding still further to the loss and depreciation in value. This is but one of the many instances that may be cited to illustrate the uncertainties of the business.

The CHAIRMAN. You have not devised any way to check the ravage of the leaf hopper?

Mr. LOEBENSTEIN. An experiment is under way. A certain spider has been set loose by the entomologists, and while it is too early to form any conclusion as to whether the experiment is a success, I understand they are getting their work in.

Mr. LLOYD. Is that sent out by the Agricultural Department?

Mr. LOEBENSTEIN. That is sent out by the Agricultural Department, I believe, and the experiment is being made by our local entomologists that have been sent from here to us.

Mr. McCLELLAN. My understanding is that the work of fighting the parasites is done by the people who are engaged in the agricultural pursuits themselves. Is that correct?

Mr. W. O. SMITH. The Hawaiian sugar plantations have been trying to get enemies of the insect pests, and maintain a corps of competent men to accomplish it.

Mr. LLOYD. But what he was getting at was whether the United States Government was fighting that pest or the Territorial government.

Mr. W. O. SMITH. That is done by us there. There is a United States experiment station which aids in a sense.

Mr. LOEBENSTEIN. When I made that statement it was not with any intention of misleading you. I believe the chairman of my delegation will agree with me that the scientific experts are men that have been sent to us from the Departments here.

Mr. W. O. SMITH. Some of them are. But some of them are Englishmen. They are mostly Americans.

Mr. LLOYD. They use some English experts? Perhaps they may have been sent by this Government.

Mr. W. O. SMITH. We had one or two from the Agricultural Department. One is a German professor, Professor Koebele. Two of them are from England. The last we got were from Australia, employed by the Australian government. Two are from California. We have a corps of about ten or fifteen entomologists, plantologists, and chemists working away.

Mr. LOEBENSTEIN. If our situation is merely one where the effort at removing the obstacles or impediments to progress in our financial status must first emanate from among us, the efforts of our Territorial Delegate among you have not been without their good results. It has been the endeavor to make good the annual drain on the Territory's finances by requesting from Congress liberal appropriations providing for construction of Federal buildings or other Federal public purposes, for harbor, light-house, or other improvements, and while credit must be given Congress for responsive action in some directions, and the

justice of our claims is all but universally acknowledged, yet has it been found difficult to gain general headway in view of the clamor of home constituencies upon their representatives in Congress for appropriations of a local nature from the general fund. Such a scheme as the disbursement of our local contributions to local development carries with it none of the exigencies of unfavorable criticism from just such communities.

We again repeat that we seek no special legislation at your hands, nor does Hawaii ask to be relieved from paying her tariffs or bearing her burdens, which we, as Americans, ask to share equally with our brothers of the mainland. But we do feel that it is necessary to impress upon you that we have cost you nothing since our session was accomplished. Though you took up and made good our national debt at that time, still you have had back all of it and half as much again, and we have cost you nothing since, for we have paid our own legislatures and the expenses of our own courts.

Mr. LLOYD. Have you taken into account the expenditures that have been made from time to time for Government officers in your islands, and the expenses that are met by the Government of the United States in maintaining the United States Government authority in those islands?

Mr. LOEBENSTEIN. We have tried to.

Mr. LLOYD. Does that include the Army and Navy, the officers of the Interior Department, the officers of the Agricultural Department, and the officers of the executive branch of the Government?

Mr. LOEBENSTEIN. It covers the salaries and official pay rolls of those branches of the department you have mentioned that are located among us there. I believe the figures have been submitted here. If they have not been, we shall be very glad to make it a portion of our work.

Mr. W. O. SMITH. Mr. Kalaniana'ole has a copy of a letter received from the Secretary of the Treasury showing all the customs receipts and expenses in the district of Hawaii for five years. That was furnished by the Secretary of the Treasury.

Mr. KALANIANA'OLE. He might incorporate it in his statement. It is an official letter.

The CHAIRMAN. Mr. Kalaniana'ole suggests that the letter giving the official figures should be incorporated in the record in connection with Mr. Loebenstein's remarks. If there be no objection that course will be adopted.

The letter referred to is as follows:

TREASURY DEPARTMENT, OFFICE OF THE SECRETARY,  
*Washington, January 12, 1906.*

HON. JONAH K. KALANIANA'OLE, M. C.,  
*House of Representatives.*

SIR: I have the honor to acknowledge the receipt of your letter of the 9th instant, in which you request "statement of amount of Federal revenues from customs and the internal revenue, respectively, collected in the Territory of Hawaii for each fiscal year beginning with the organization of the Territory, June 14, 1900, down to July 1, 1905."

The following statements were prepared by the chief of the special agents' division and the Commissioner of Internal Revenue:

*Statement showing the customs receipts and expenses in the district of Hawaii.*

	Aggregate receipts.	Aggregate expenses.
Fiscal yearended June 30—		
1900 .....	<sup>a</sup> \$45,523.99	\$3,100.92
1901 .....	1,219,338.79	84,222.40
1902 .....	1,327,518.23	96,932.82
1903 .....	1,193,677.83	106,719.90
1904 .....	1,229,467.61	<sup>b</sup> 109,634.97
1905 .....	1,043,340.38	95,881.92
Total .....	6,058,866.83	496,492.93

<sup>a</sup> Receipts during the last seventeen days (from June 14 to June 30) of the fiscal year ended June 30, 1900.

<sup>b</sup> 8.2 per cent.

*Statement showing internal-revenue receipts for the district of Hawaii during the fiscal years ended June 30—*

1900 .....	\$7,454.30
1901 .....	102,182.63
1902 .....	70,235.22
1903 .....	40,090.52
1904 .....	44,632.82
Total .....	264,595.49

Respectfully,

L. M. SHAW, *Secretary.*

MR. LLOYD. This letter only shows the customs receipts and expenses.

MR. LOEBENSTEIN. The actual cost to the Federal Government of maintenance and salaries amounts to \$1,825,090.80. That mainly represents salaries and running expenses of different bureaus, reserving, however, the United States Immigration Bureau, from which we have been unable to obtain figures as yet.

We invite you to share in the views which I have endeavored to present before you. We submit that you require no precedents by which to judge Hawaii, except in a beneficial sense, actuated merely by your recognition of the sore need of generosity to it, a baby Territory, lying isolated and noncontiguous from its parent, in the mid-Pacific, harassed by racial and industrial and financial problems, but striving, nevertheless, to maintain the highest type of civilization against all but overwhelming odds, expending all moneys available from other purposes for the higher education of its children, but lacking the funds for what is the most imperative and far-reaching demand of all—the construction of the necessary roads and pathways that may open up to the legitimate pioneer and to the American citizen of the future for further agricultural development and the building of homes in its yet untrodden forests.

We have not the money for the construction of roads. The idea so often presented before you that ours is merely a class that seeks to deprive the legitimate, bona fide, home-seeking pioneer of an opportunity to create his home among us and to grow up with us is a delusion and a fallacy. If I could explain to you by these weak words of mine the physical and engineering impossibility of opening up to settle-

ment the remote-lying tracts within our Territory for homestead or settlement purposes it might convince you that our efforts have not been as slow as ordinary public opinion might lead you to believe. True, as I stated before, ours is merely and mainly the development abutting and circumferating the coast line of our island and extending back no more than 3 miles from that coast line. The land rises rapidly on our island of Hawaii. From the seacoast to the apex, Mount Kea, it rises from 150 to nearly 14,000 feet. In some places the declivities are very steep.

In the district of Kau that I just mentioned, there is a case in point where the land at one point is at an elevation of 600 feet from the sea level, whereas less than 1 mile distant the land has risen to an elevation of 2,100 feet. This is the land that has been lately applied for for settlement and homestead purposes; and it is absolutely impossible to lay out a road to make this land accessible, except by the construction of a road 6 miles in length to overcome the difference in grade between 600 feet elevation and 2,100 feet elevation in less than 1 mile of bee line. That must be patent to the committee.

Permit me just a few words in closing. History these days is rapid in the making. Our country has awakened from the Sleepy Hollow days of the earlier existence, and with its elevation to a great world power among the nations there is attached, among other great responsibilities, the one of keeping what it has got. The situation of Hawaii, as already indicated, is a case in point. By virtue of its position in the Mid-Pacific, the focal point of transportation and travel, and possessing unrivalled advantages from the strategic standpoint, Hawaii must and will play a prominent part.

The day is not far distant when Hawaii will be an important center to the United States. It possesses not alone unexcelled advantages in the way of climate and scenery, and wonderful freaks of nature that make a sojourn upon its shores the object of pilgrimage each year in ever-increasing numbers; it also possesses wonderful advantages from an agricultural and industrial standpoint, and it requires merely the touch of labor and capital to develop it; and it requires merely the finishing touches of the military and naval expert to make those harbors that there abound harbors of refuge for our Navy and impregnable to all assault.

I thank you, gentlemen.

Mr. LLOYD. Have you finished, gentlemen?

Mr. W. O. SMITH. That is all; except a few remarks Mr George W. Smith wishes to make.

#### STATEMENT OF MR. GEORGE W. SMITH.

Mr. G. W. SMITH. Mr. Chairman and gentlemen, we want to thank you for the very courteous treatment we have received at your hands during the hearings which you have granted us. We were instructed by the mercantile organization that sent us to lay before you all the facts possible; and I want to call attention to one thing. In dealing with our conditions, you deal with conditions and people different from those of any other new possession of the United States, different from those of any possession that has come to you in the arbitrament of war, where the people are alien to your customs, to your language, and to conditions on the mainland.

Go back with me to the time when James Monroe sat as President of the United States, and when our people were raised from barbarism to Christian civilization by American system and American sentiment in the islands.

We were American at a time when California was still a part of the Mexican Empire; and we have continued to progress along American lines. Noble Americans went there in those days and started the little ship of state on the voyage which the hand of destiny has guided into the harbor of this nation.

Our appeal is made as Americans, not as people who have lately become Americans, but as people who have been Americans for nearly a century back.

The CHAIRMAN. Gentlemen, do you desire to take any action at this time with reference to the bill?

Mr. LLOYD. I think we had better wait until we meet again, because there is not a quorum here.

Mr. POWERS. Let it be referred to a subcommittee. The chairman might select a subcommittee.

The CHAIRMAN. You have heard the motion that a subcommittee be appointed to take action on the bill H. R. 14015.

The motion was agreed to.

The CHAIRMAN. The chair will announce the committee upon consideration.

The committee (at 4.30 o'clock p. m.) adjourned.

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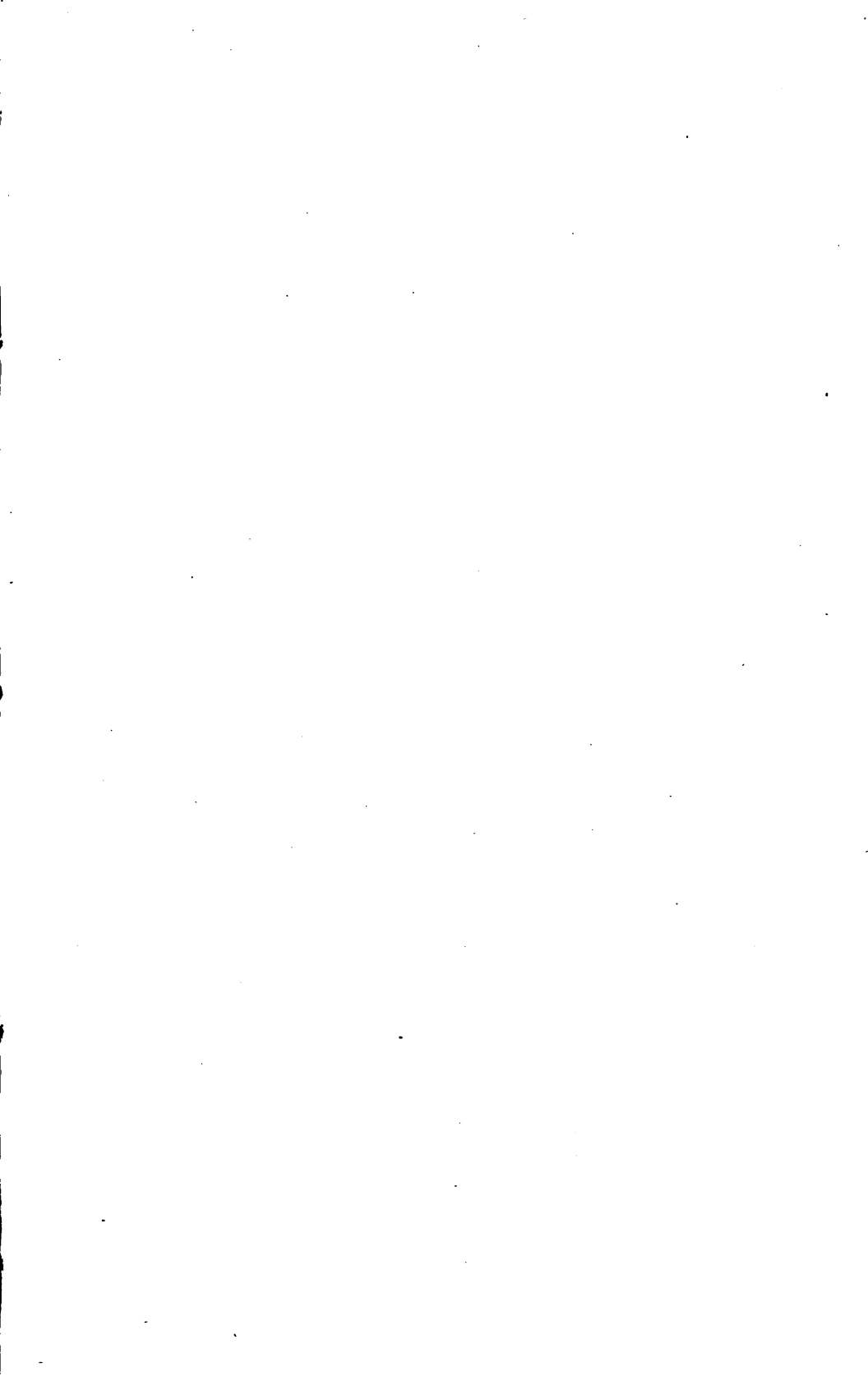
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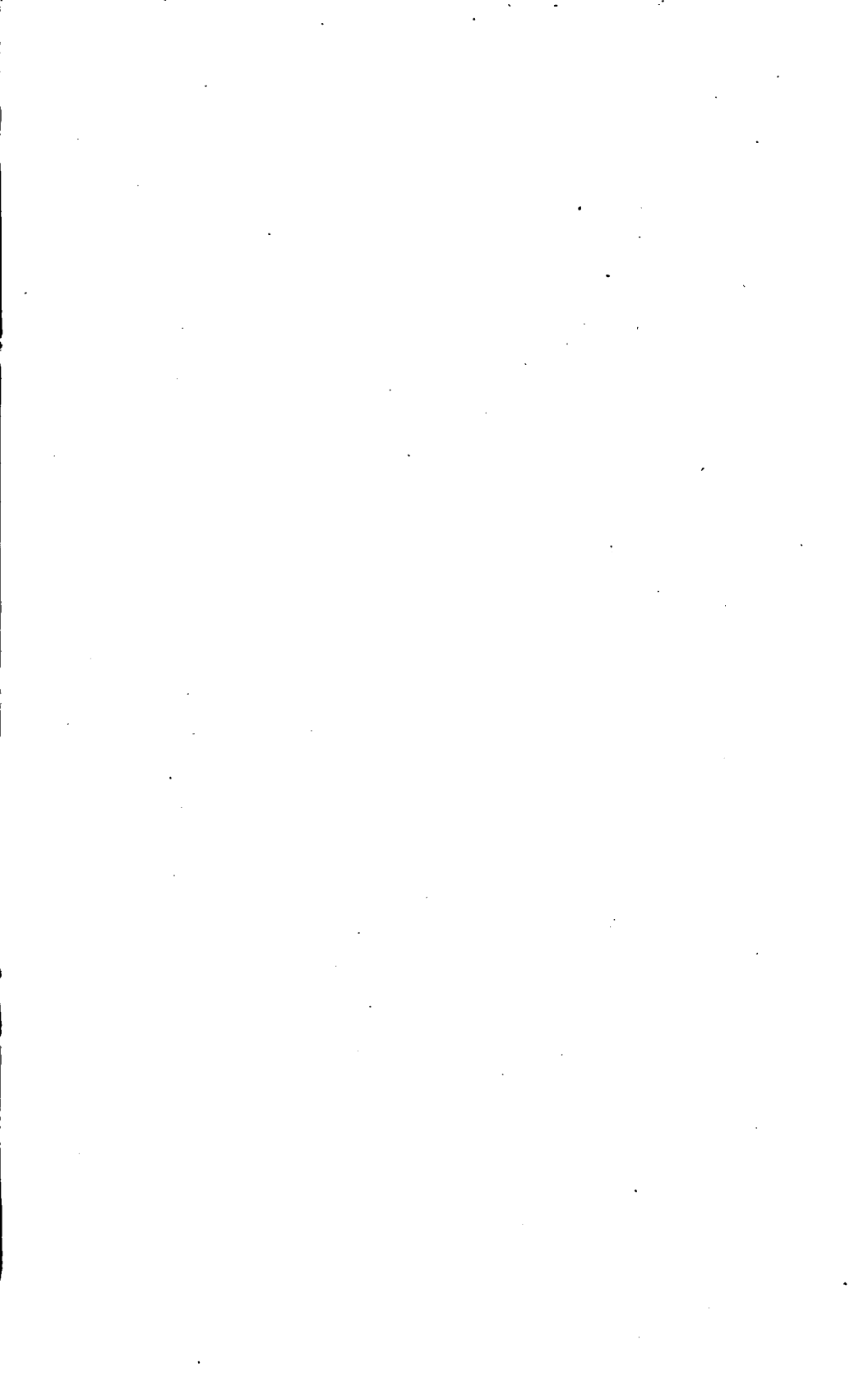
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